

# MOGALAKWENA

## *MUNICIPALITY*

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# 2012/2013

***ANNUAL FINANCIAL STATEMENTS***

*for the year ended*

***30 June 2013***

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

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**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**GENERAL INFORMATION**

**MAYOR**

T.A. Mashamaite

**SPEAKER**

R.M. Mabusela (Ms)

**MEMBERS OF THE EXECUTIVE COMMITTEE**

Mayor

Councillors:	M.A. Tsebe	M.R. Lebelo (Ms)
	F.M. Mabuela (Ms)	M.S. Tlhaku
	N.S. Montane	M.E. Ramashala (Ms)
	N.V. Mashamaite	C.F.B. Smit
	T.A. Kgaphola	

**GRADING OF THE LOCAL AUTHORITY**

Grade 4

**AUDITORS**

External:	Auditor General	Internal:	Own Staff
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**PRIMARY BANKER**

Standard Bank Limited

**REGISTERED OFFICE**

54 Retief Street	P.O. Box 34
MOKOPANE	MOKOPANE
0601	0600

Telephone: (015) 491-9600	Facsimile: (015) 491-9755
E-Mail: <a href="mailto:kekanasw@mogalakwena.gov.za">kekanasw@mogalakwena.gov.za</a>	

**MUNICIPAL MANAGER**

S.W. Kekana	(015) 491-9661	<a href="mailto:kekanasw@mogalakwena.gov.za">kekanasw@mogalakwena.gov.za</a>
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**CHIEF FINANCIAL OFFICER**

K.J. Mphago	(015) 491-9606	<a href="mailto:mpthagok@mogalakwena.gov.za">mpthagok@mogalakwena.gov.za</a>
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**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**GENERAL INFORMATION (continued)**

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 157, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2013.

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**S.W. KEKANA**  
**MUNICIPAL MANAGER**  
30 August 2013

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**K.J. MPHAGO**  
**CHIEF FINANCIAL OFFICER**  
30 August 2013

## MEMBERS OF THE COUNCIL

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**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**MEMBERS OF THE COUNCIL (continued)**

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**S.W. KEKANA**  
**MUNICIPAL MANAGER**  
30 August 2013

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**FOREWORD**

During the 2012/13 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles. Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously disadvantaged. Further to ensure that compliance with Batho Pele principles is adhered to at all times, we call upon our Councillors, Community Development Workers and Ward Committees to discharge their responsibilities in the spirit of co-operative governance.

Capital infrastructure projects were mainly financed from external grant funding and the municipality has successfully finalised some of the projects as identified in the Integrated Development Plan. There has been significant under spending in this regard and the municipality has already submitted a request for roll-over of unspent funds to both CoGHSTA and National Treasury.

The municipality will in the 2013/14 financial year again embark upon projects identified in the Integrated Development Plan and speed up completion of 2012/13 rolled-over projects.

I hereby wish to thank the members of the Executive Committee and executive staff for their commitment during the 2012/13 year and hope that the 2013/14 targets set in the Integrated Development Plan will be met.

I thank you.

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**CLR T.A. MASHAMAITE**  
**MAYOR**  
30 August 2013

**MOGALAKWENA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**AUDIT REPORT**

The 2012/13 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

# MOGALAKWENA MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

### REPORT OF THE CHIEF FINANCIAL OFFICER

#### 1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Mogalakwena Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants which is more than the increase in Payables.

#### 2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

##### 2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	301 631 827	211 691 184
Surplus / (Deficit) at the end of the Year	1 568 159 979	1 266 528 151
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	26.18%	30.00%
Remuneration of Councillors	2.54%	2.92%
Collection Costs	0.02%	0.02%
Depreciation and Amortisation	10.31%	9.08%
Impairment Losses	8.24%	8.42%
Repairs and Maintenance	15.22%	10.90%
Interest Paid	0.10%	0.09%
Bulk Purchases	21.80%	23.76%
Contracted Services	3.44%	2.56%
Grants and Subsidies Paid	4.77%	6.52%
General Expenses	7.38%	5.38%
Current Ratio:		
Trade Creditors Days	62	85
Debtors from Exchange Transactions Days	47	45

## 2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	0.10%	0.09%
Capital Charges to Own Revenue	0.17%	0.13%
Safety of Capital:		
Gearing	0.00%	0.00%
Liquidity:		
Current Ratio	2.33	1.98
Liquidity Ratio	1.88	1.70
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	92.48%	78.62%
Revenue Management:		
Current Debtors Collection Rate	93.51%	73.25%
Outstanding Debtors to Revenue	12.34%	12.62%
Creditors Management:		
Creditors to Cash and Investments	20.03%	14.07%
Financial Viability:		
Debt Coverage	12.47	13.23
Outstanding Service Debtors to Revenue	23.75%	24.49%
Cost Coverage	0.82	1.07

## 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Mogalakwena Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	442 650 695	349 756 264	26.56	-	100.00
Operating income for the year	940 006 991	729 065 461	28.93	994 864 846	(5.51)
Appropriations for the year	(395 177 061)	(118 796 753)	232.65	-	100.00
	987 480 625	960 024 972	2.86	994 864 846	(0.74)
<b>Expenditure:</b>					
Operating expenditure for the year	638 375 163	517 374 277	23.39	639 809 539	(0.22)
Sundry transfers	-	-	-	-	-
Closing surplus / (deficit)	349 105 461	442 650 695	(21.13)	355 055 307	(1.68)
	987 480 625	960 024 972	2.86	994 864 846	(0.74)

### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	459 120 954	407 591 158	12.64	456 589 053	0.55
Expenditure	290 546 581	248 730 138	16.81	300 495 165	(3.31)
Surplus / (Deficit)	168 574 373	158 861 020	6.11	156 093 888	8.00
Surplus / (Deficit) as % of total income	36.72%	38.98%		34.19%	

### 3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	141 614	132 382	6.97	127 175	11.35
Expenditure	82 090	129 017	(36.37)	152 154	(46.05)
Surplus / (Deficit)	59 524	3 364	1 669.23	(24 979)	(338.30)
Surplus / (Deficit) as % of total income	42.03%	2.54%		(19.64)%	

### 3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	37 336 493	42 036 002	(11.18)	51 458 364	(27.44)
Expenditure	42 999 125	41 115 769	4.58	44 090 843	(2.48)
Surplus / (Deficit)	(5 662 632)	920 234	(715.35)	7 367 521	(176.86)
Surplus / (Deficit) as % of total income	(15.17)%	2.19%		14.32%	

### 3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R120 584 492 (2012: R105 612 315). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	170 304 231	161 008 240	5.77	175 915 621	(3.19)
Expenditure	180 630 183	132 076 270	36.76	191 344 728	(5.60)
Surplus / (Deficit)	(10 325 952)	28 931 970	(135.69)	(15 429 107)	(33.07)
Surplus / (Deficit) as % of total income	(6.06)%	17.97%		(8.77)%	

### 3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R18 588 302 (2012: R17 334 467 ). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	273 103 698	118 297 679	130.86	310 774 633	(12.12)
Expenditure	124 117 184	95 323 083	30.21	103 726 649	19.66
Surplus / (Deficit)	148 986 514	22 974 596	548.48	207 047 984	(28.04)
Surplus / (Deficit) as % of total income	54.55%	19.42%		66.62%	

## 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R331 694 060 (2011/12: R163 794 630). Full details of Assets are disclosed in Notes 10, 11, 12, 13 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R331 694 060 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Capital Replacement Reserve	15 629 112	13 296 366	17.54	17 679 445	(11.60)
Grants and Subsidies	316 054 828	150 018 585	110.68	346 878 877	(8.89)
Public Contributions	-	447 053	(100.00)	-	-
Own Funds (Accumulated Surplus)	10 120	32 626	(68.98)	-	100.00
	331 694 060	163 794 630	102.51	364 558 322	(9.01)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Capital Replacement Reserve	4.71%	8.12%
Grants and Subsidies	95.29%	91.59%
Public Contributions	-	0.27%
Own Funds (Accumulated Surplus)	0.00%	0.02%
	100.00%	100.00%

## 5. RECONCILIATION OF BUDGET TO ACTUAL

### 5.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	355 055 307	164 354 850
Revenue variances	(54 857 855)	79 392 884
Expenditure variances:		
Employee Related Costs	1 829 752	(2 322 282)
Remuneration of Councillors	1 183 612	(623 903)
Collection Costs	52 378	(18 480)
Depreciation and Amortisation	(14 228 921)	(2 774 599)
Impairment Losses	(16 409 522)	(11 344 222)
Repairs and Maintenance	(674 789)	10 002 773
Interest Paid	(621 252)	(442 247)
Bulk Purchases	11 711 266	(16 746 781)
Contracted Services	1 600 501	558 344
Grants and Subsidies Paid	4 535 894	(4 562 933)
General Expenses	12 455 457	(1 983 031)
Loss on disposal of Property, Plant and Equipment	-	(1 799 189)
Actual surplus before appropriations	301 631 827	211 691 184

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	355 055 307	260 049 974
Executive and Council	(286 516)	19 869 773
Finance and Administration	34 771 965	38 614 310
Planning and Development	1 167 328	4 475 162
Health	43 891	28 466
Community and Social Services	1 594 224	214 520
Housing	84 503	26 953
Public Safety	689 163	588 385
Sport and Recreation	(6 334 819)	(12 831 941)
Environmental Protection	367 714	76 509
Waste Management	(13 030 153)	(3 647 666)
Roads and Transport	(19 707 554)	(28 954 676)
Water	(58 061 470)	(68 135 233)
Electricity	5 103 155	880 484
Other	175 089	436 164
Actual surplus before appropriations	301 631 827	211 691 184

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

## 5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	254 921	2 573 773	(2 318 852)	840 151	(585 230)
Finance and Administration	900 454	1 735 622	(835 167)	1 468 642	(568 188)
Planning and Development	235 789	237 903	(2 114)	242 207	(6 418)
Community and Social Services	2 853 391	13 879 892	(11 026 502)	1 976 624	876 767
Housing	44 370	-	44 370	44 370	(0)
Public Safety	194 561	2 191 717	(1 997 156)	255 308	(60 747)
Sport and Recreation	8 651 208	15 619 373	(6 968 165)	9 604 630	(953 422)
Environmental Protection	11 089	6 497	4 592	105 330	(94 241)
Waste Management	6 055 306	9 038 618	(2 983 313)	6 112 979	(57 673)
Roads and Transport	105 390 947	57 262 608	48 128 339	106 071 795	(680 848)
Water	200 719 787	49 799 865	150 919 921	230 965 164	(30 245 377)
Electricity	6 351 616	11 421 084	(5 069 468)	6 840 498	(488 882)
Other	30 621	27 677	2 944	30 624	(3)
	331 694 060	163 794 630	167 899 430	364 558 322	(32 864 262)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

## 6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R1 568 159 979 (30 June 2012: R1 266 528 151) and is made up as follows:

Capital Replacement Reserve	150 686 583
Capitalisation Reserve	76 780 709
Donations and Public Contributions Reserve	7 008 486
Government Grants Reserve	984 578 739
Accumulated Surplus	349 105 461
	<u>1 568 159 979</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Donations and Public Contributions Reserve is utilised to offset the cost of depreciation of assets funded from Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

## 7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R46 372 929 (30 June 2012: R42 973 441).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 21 for more detail.

## 8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R12 945 545 as at 30 June 2013 (30 June 2012: R11 649 147) and is made up as follows:

Provision for Long-term Service	7 594 688
Provision for Rehabilitation of Land-fill Sites	5 350 857
	<u>12 945 545</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

## 9. CURRENT LIABILITIES

Current Liabilities amounted R249 821 465 as at 30 June 2013 (30 June 2012: R295 880 863) and is made up as follows:

Consumer Deposits	Note 15	19 790 309
Provisions	Note 16	2 631 557
Payables from Exchange Transactions	Note 17	93 974 069
Payables from Non-exchange Transactions	Note 18	34 120 474
Unspent Conditional Grants and Receipts	Note 19	99 305 055
		<u>249 821 465</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1 284 394 702 as at 30 June 2013 (30 June 2012: R1 018 569 289).

Refer to Note 10 and Appendices "B, C and E (4)" for more detail.

## 11. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 042 265 as at 30 June 2013 (30 June 2012: R1 209 765).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 11 and Appendix "B" for more detail.

## 12. INVESTMENT PROPERTY

The net value of Investment Properties were R2 914 611 as at 30 June 2013 (30 June 2012: R3 006 244).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 12 and Appendix "B" for more detail.

## 13. HERITAGE ASSETS

The net value of Heritage Assets were R5 736 342 as at 30 June 2013 (30 June 2012: R5 736 342).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 13 and Appendix "B" for more detail.

## 14. LONG-TERM RECEIVABLES

Long-term Receivables of R1 647 519 at 30 June 2013 (30 June 2012: R2 289 574) is made up as follows:

Debtors Capitalised Loans	6 566 975
Sale of Stand Loans	291 956
Study Cost Loans	43 380
	<hr/>
	6 902 312
Less: Short-term portion included in Current Assets	5 254 793
	<hr/>
	<u>1 647 519</u>

The increase in the amount for Long-term Receivables is due to the increased amount of debt arrangements entered into with consumer debtors.

Refer to Note 14 for more detail.

## 15. CURRENT ASSETS

Current Assets amounted R581 564 478 as at 30 June 2013 (30 June 2012: R586 220 389) and is made up as follows:

Inventories	Note 2	8 804 509
Non-current Assets Held-for-Sale	Note 3	50 319
Receivables from Exchange Transactions	Note 4	35 838 699
Receivables from Non-exchange Transactions	Note 5	31 397 223
VAT Receivable	Note 6	30 781 288
Cash and Cash Equivalents	Note 7	469 212 083
Operating Lease Assets	Note 8	225 564
Current Portion of Long-term Debtors	Note 14	5 254 793
		<hr/>
		<u>581 564 478</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

## **16. INTER-GOVERNMENTAL GRANTS**

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 19 and 25, and Appendix "F" for more detail.

## **17. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 56.

## **18. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

---

**CHIEF FINANCIAL OFFICER**

30 August 2013

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>581 564 478</b>	<b>586 220 389</b>
Inventories	2	8 804 509	9 110 318
Non-current Assets Held-for-Sale	3	50 319	-
Receivables from Exchange Transactions	4	35 838 699	31 396 148
Receivables from Non-exchange Transactions	5	31 397 223	30 604 927
VAT Receivable	6	30 781 288	6 763 026
Cash and Cash Equivalents	7	469 212 083	501 750 484
Operating Lease Receivables	8	225 564	208 026
Current Portion of Long-term Receivables	9	5 254 793	6 387 461
<b>Non-Current Assets</b>		<b>1 295 735 439</b>	<b>1 030 811 214</b>
Property, Plant and Equipment	10	1 284 394 702	1 018 569 289
Intangible Assets	11	1 042 265	1 209 765
Investment Property	12	2 914 611	3 006 244
Heritage Assets	13	5 736 342	5 736 342
Long-term Receivables	14	1 647 519	2 289 574
<b>Total Assets</b>		<b>1 877 299 917</b>	<b>1 617 031 603</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>249 821 465</b>	<b>295 880 863</b>
Consumer Deposits	15	19 790 309	19 661 194
Provisions	16	2 631 557	3 010 153
Payables from Exchange Transactions	17	93 974 069	70 599 578
Payables from Non-exchange Transactions	18	34 120 474	29 643 412
Unspent Conditional Grants and Receipts	19	99 305 055	172 966 526
<b>Non-Current Liabilities</b>		<b>59 318 474</b>	<b>54 622 588</b>
Retirement Benefit Liabilities	21	46 372 929	42 973 441
Non-current Provisions	22	12 945 545	11 649 147
<b>Total Liabilities</b>		<b>309 139 939</b>	<b>350 503 452</b>
<b>Total Assets and Liabilities</b>		<b>1 568 159 979</b>	<b>1 266 528 151</b>
<b>NET ASSETS</b>		<b>1 568 159 979</b>	<b>1 266 528 151</b>
Accumulated Surplus / (Deficit)	23	1 568 159 979	1 266 528 151
<b>Total Net Assets</b>		<b>1 568 159 979</b>	<b>1 266 528 151</b>

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	24	40 456 571	38 795 308
Fines		1 207 462	1 145 537
Licences and Permits		60 610	67 550
Income for Agency Services		8 377 027	8 945 566
Government Grants and Subsidies Received	25	574 165 128	385 068 316
Public Contributions and Donations	26	5 385 315	15 219 166
<b>Revenue from Exchange Transactions</b>			
Service Charges	27	237 457 336	216 313 192
Rental of Facilities and Equipment	28	1 006 285	1 033 617
Interest Earned - External Investments	29	28 899 438	24 859 260
Interest Earned - Outstanding Debtors	29	26 344 924	23 074 189
Other Revenue	30	7 866 174	9 184 141
Gains on Disposal of Property, Plant and Equipment		-	827 142
Profit on Sale of Land:-		8 780 722	4 532 476
Sale of Land		8 780 722	4 532 476
Cost of Sales		-	-
<b>Total Revenue</b>		<b>940 006 991</b>	<b>729 065 461</b>
<b>EXPENDITURE</b>			
Employee Related Costs	31	167 109 217	155 186 871
Remuneration of Councillors	32	16 231 033	15 107 713
Collection Costs		147 622	118 480
Depreciation and Amortisation	33	65 798 900	46 965 637
Impairment Losses	34	52 626 287	43 538 102
Repairs and Maintenance		97 163 378	56 412 971
Finance Costs	35	621 252	442 247
Bulk Purchases	36	139 172 794	122 946 781
Contracted Services	37	21 967 422	13 269 665
Grants and Subsidies Paid	38	30 428 867	33 748 486
General Expenses	39	47 108 391	27 838 135
Loss on Disposal of Property, Plant and Equipment		-	1 799 189
<b>Total Expenditure</b>		<b>638 375 163</b>	<b>517 374 277</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>301 631 827</b>	<b>211 691 184</b>
Refer to Appendix E(1) for explanation of budget variances			

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013**

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
<b>2012</b>			
Balance at 30 June 2011	-	1 054 836 968	1 054 836 968
Change in Accounting Policy (Note 40)	-	-	-
Correction of Error (Note 41)	-	-	-
<b>Restated Balance</b>	-	<b>1 054 836 968</b>	<b>1 054 836 968</b>
Surplus / (Deficit) for the year		211 691 184	211 691 184
Contributions to Funds and Reserves		-	-
Interest allocated to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
<b>Balance at 30 June 2012</b>	-	<b>1 266 528 151</b>	<b>1 266 528 151</b>
<b>2013</b>			
Change in Accounting Policy (Note 40)		-	-
Correction of Error (Note 41)		-	-
<b>Restated Balance</b>	-	<b>1 266 528 151</b>	<b>1 266 528 151</b>
Surplus / (Deficit) for the year		301 631 827	301 631 827
Contributions to Funds and Reserves		-	-
Interest allocated to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
<b>Balance at 30 June 2013</b>	-	<b>1 568 159 979</b>	<b>1 568 159 979</b>
	-	-	-

Details on the movement of the Funds and Reserves are set out in Note 23.

**MOGALAKWENA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	24	41 182 913	34 138 368
Government Grant and Subsidies	25	646 884 924	300 565 456
Public Contributions and Donations	26	6 326 989	14 136 365
Service Charges	27	243 314 554	169 620 001
Interest Received	29	28 899 438	24 859 260
Other Receipts		(43 007 088)	137 580 968
<b>Payments</b>			
Employee Related Costs	31	(163 258 579)	(150 296 721)
Remuneration of Councillors	32	(16 231 033)	(15 107 713)
Interest Paid	35	(621 252)	(442 247)
Suppliers Paid		(230 452 041)	(170 005 951)
Other Payments		(223 530 926)	19 465 562
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>289 507 898</b>	<b>364 513 347</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	10	(331 543 890)	(162 688 953)
Purchase of Intangible Assets	11	(150 170)	(1 105 678)
Proceeds on Disposal of Property, Plant and Equipment		-	1 604 803
Profit on Sale of Land		8 780 722	4 532 476
Decrease / (Increase) in Long-term Receivables	14	867 039	859 861
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(322 046 299)</b>	<b>(156 797 491)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7	<b>(32 538 401)</b>	<b>207 715 857</b>
Cash and Cash Equivalents at Beginning of Period		501 750 484	294 034 627
Cash and Cash Equivalents at End of Period		469 212 083	501 750 484

**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	9 000 733	109 585	9 110 318	-	-	9 110 318	8 804 509	-	(305 809)	96.64	97.82
Non-current Assets Held-for-Sale	-	-	-	-	-	-	50 319	-	50 319	0.00	0.00
Receivables from Exchange Transactions	39 272 455	6 251 548	45 524 003	-	-	45 524 003	35 838 699	-	(9 685 304)	78.72	91.26
Receivables from Non-exchange Transactions	24 483 819	(1 040 781)	23 443 038	-	-	23 443 038	31 397 223	-	7 954 185	133.93	128.24
VAT Receivable	-	-	-	-	-	-	30 781 288	-	30 781 288	0.00	0.00
Cash and Cash Equivalents	303 714 247	198 036 236	501 750 483	-	-	501 750 483	469 212 083	-	(32 538 400)	93.52	154.49
Operating Lease Receivables	-	-	-	-	-	-	225 564	-	225 564	0.00	0.00
Current Portion of Long-term Receivables	6 534 445	(146 984)	6 387 461	-	-	6 387 461	5 254 793	-	(1 132 668)	82.27	80.42
<b>Non-Current Assets</b>											
Property, Plant and Equipment	928 493 768	88 662 639	1 017 156 407	-	-	1 017 156 407	1 284 394 702	-	267 238 295	126.27	138.33
Intangible Assets	6 207 866	-	6 207 866	-	-	6 207 866	1 042 265	-	(5 165 601)	16.79	16.79
Investment Property	3 199 859	(193 615)	3 006 244	-	-	3 006 244	2 914 611	-	(91 633)	96.95	91.09
Heritage Assets	-	-	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Long-term Receivables	2 938 951	(649 377)	2 289 574	-	-	2 289 574	1 647 519	-	(642 055)	71.96	56.06
<b>Total Assets</b>	<b>1 323 846 143</b>	<b>291 029 251</b>	<b>1 614 875 394</b>	<b>-</b>	<b>-</b>	<b>1 614 875 394</b>	<b>1 877 299 917</b>	<b>-</b>	<b>262 424 524</b>	<b>116.25</b>	<b>141.81</b>
<b>Current Liabilities</b>											
Consumer Deposits	20 355 415	(694 221)	19 661 194	-	-	19 661 194	19 790 309	-	129 115	100.66	97.22
Provisions	3 623 679	(613 527)	3 010 152	-	-	3 010 152	2 631 557	-	(378 595)	87.42	72.62
Payables from Exchange Transactions	78 326 471	21 266 186	99 592 657	-	-	99 592 657	93 974 069	-	(5 618 588)	94.36	119.98
Payables from Non-exchange Transactions	-	-	-	-	-	-	34 120 474	-	34 120 474	0.00	0.00
Unspent Conditional Grants and Receipts	90 257 442	82 709 084	172 966 526	-	-	172 966 526	99 305 055	-	(73 661 471)	57.41	110.02
<b>Non-Current Liabilities</b>											
Retirement Benefit Liabilities	47 417 335	5 981 223	53 398 558	-	-	53 398 558	46 372 929	-	(7 025 629)	86.84	97.80
Non-current Provisions	-	-	-	-	-	-	12 945 545	-	12 945 545	0.00	0.00
<b>Total Liabilities</b>	<b>239 980 342</b>	<b>108 648 745</b>	<b>348 629 087</b>	<b>-</b>	<b>-</b>	<b>348 629 087</b>	<b>309 139 939</b>	<b>-</b>	<b>(39 489 148)</b>	<b>88.67</b>	<b>128.82</b>
<b>Total Assets and Liabilities</b>	<b>1 083 865 801</b>	<b>182 380 506</b>	<b>1 266 246 307</b>	<b>-</b>	<b>-</b>	<b>1 266 246 307</b>	<b>1 568 159 979</b>	<b>-</b>	<b>301 913 672</b>	<b>123.84</b>	<b>144.68</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	1 083 865 801	182 380 506	1 266 246 307	-	-	1 266 246 307	1 568 159 979	-	301 913 672	123.84	144.68
<b>Total Net Assets</b>	<b>1 083 865 801</b>	<b>182 380 506</b>	<b>1 266 246 307</b>	<b>-</b>	<b>-</b>	<b>1 266 246 307</b>	<b>1 568 159 979</b>	<b>-</b>	<b>301 913 672</b>	<b>123.84</b>	<b>144.68</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Non-current Assets Held-for-Sale:

Redundant Assets earmarked for sale in the financial year 2013/14 during June 2013 not budgeted for.

Receivables from Exchange Transactions:

Bad Debts, not budgeted for, written off in 2012/13.

Receivables from Non-exchange Transactions:

Under budgeted for Assessment Rates Debtors.

VAT Receivable:

Claims for Input VAT not yet paid by SARS.

Operating Lease Receivables:

Did not budget for Lease Receivables.

Current Portion of Long-term Receivables:

Over budgeted for Arrangement Debtors.

Property, Plant and Equipment:

Did not budget for Roll-over Projects from 2011/12.

Intangible Assets:

Over budgeted for Intangible Assets.

Heritage Assets:

Did not budget for Heritage Assets which were restated in the Annual Financial Statements for 2011/12.

Long-term Receivables:

Over budgeted for Stand Sale Loans.

Provisions:

Over budgeted for Performance Bonuses, most of which were reversed in the current financial year.

Payables from Non-exchange Transactions:

Did not budget for Payables from Non-exchange Transactions.

Unspent Conditional Grants and Receipts:

Did not budget for Roll-over Projects funded from Grants.

Retirement Benefit Liabilities:

Over budgeted for Provision for Retirement Benefit Liabilities.

Non-current Provisions:

Did not budget for Non-current Provisions.

Accumulated Surplus / (Deficit):

Surplus for the current financial year exceeded the budgeted surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	40 691 005	-	40 691 005	-	-	40 691 005	40 456 571	-	(234 434)	99.42	99.42
Fines	658 141	-	658 141	-	-	658 141	1 207 462	-	549 321	183.47	183.47
Licences and Permits	63 200	-	63 200	-	-	63 200	60 610	-	(2 590)	95.90	95.90
Income for Agency Services	7 023 493	-	7 023 493	-	-	7 023 493	8 377 027	-	1 353 534	119.27	119.27
Government Grants and Subsidies Received	488 802 065	198 839 695	687 641 760	-	(20 118 877)	667 522 883	258 912 780	-	(408 610 103)	38.79	52.97
Public Contributions and Donations	2 042 500	3 415 114	5 457 614	-	-	5 457 614	5 385 315	-	(72 299)	98.68	263.66
<b>Revenue from Exchange Transactions</b>											
Service Charges	235 663 432	-	235 663 432	-	-	235 663 432	237 457 336	-	1 793 904	100.76	100.76
Rental of Facilities and Equipment	915 959	-	915 959	-	-	915 959	1 006 285	-	90 326	109.86	109.86
Interest Earned - External Investments	17 918 000	5 255 000	23 173 000	-	-	23 173 000	28 899 438	-	5 726 438	124.71	161.29
Interest Earned - Outstanding Debtors	2 286 526	-	2 286 526	-	-	2 286 526	26 344 924	-	24 058 398	1 152.18	1 152.18
Other Income	3 036 911	612 492	3 649 403	-	25 000	3 674 403	7 866 174	-	4 191 771	214.08	259.02
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	6 000 000	-	6 000 000	-	1 735 190	7 735 190	8 780 722	-	1 045 532	113.52	146.35
<b>Total Revenue</b>	<b>805 101 232</b>	<b>208 122 301</b>	<b>1 013 223 533</b>	<b>-</b>	<b>(18 358 687)</b>	<b>994 864 846</b>	<b>624 754 643</b>	<b>-</b>	<b>(370 110 203)</b>	<b>62.80</b>	<b>77.60</b>
<b>Expenditure</b>											
Employee Related Costs	186 733 613	(7 519 383)	179 214 230	-	(10 275 261)	168 938 969	167 109 217	-	(1 829 752)	98.92	89.49
Remuneration of Councillors	17 864 645	-	17 864 645	-	(450 000)	17 414 645	16 231 033	-	(1 183 612)	93.20	90.86
Collection Costs	200 000	-	200 000	-	-	200 000	147 622	-	(52 378)	73.81	73.81
Depreciation and Amortisation	51 241 629	-	51 241 629	-	328 350	51 569 979	65 798 900	14 228 921	14 228 921	127.59	128.41
Impairment Losses	41 562 115	-	41 562 115	-	(5 345 350)	36 216 765	52 626 287	16 409 522	16 409 522	145.31	126.62
Repairs and Maintenance	89 325 148	4 646 488	93 971 636	-	2 516 953	96 488 589	97 163 378	674 789	674 789	100.70	108.77
Finance Costs	-	-	-	-	-	-	621 252	621 252	621 252	0.00	0.00
Bulk Purchases	150 832 560	(1 800 000)	149 032 560	-	1 851 500	150 884 060	139 172 794	-	(11 711 266)	92.24	92.27
Contracted Services	20 902 951	64 373	20 967 324	-	2 600 599	23 567 923	21 967 422	-	(1 600 501)	93.21	105.09
Grants and Subsidies Paid	23 651 746	3 400 114	27 051 860	-	7 912 901	34 964 761	30 428 867	-	(4 535 894)	87.03	128.65
General Expenses	39 299 904	13 889 046	53 188 950	-	6 374 898	59 563 848	47 108 391	-	(12 455 457)	79.09	119.87
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure</b>	<b>621 614 311</b>	<b>12 680 638</b>	<b>634 294 949</b>	<b>-</b>	<b>5 514 590</b>	<b>639 809 539</b>	<b>638 375 163</b>	<b>31 934 485</b>	<b>(1 434 376)</b>	<b>99.78</b>	<b>102.70</b>
<b>Surplus/(Deficit)</b>	<b>183 486 921</b>	<b>195 441 663</b>	<b>378 928 584</b>	<b>-</b>	<b>(23 873 277)</b>	<b>355 055 307</b>	<b>(13 620 520)</b>	<b>(31 934 485)</b>	<b>(368 675 827)</b>	<b>0.00</b>	<b>0.00</b>
Transfers Recognised - Capital	-	-	-	-	-	-	315 252 348	315 252 348	315 252 348	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>183 486 921</b>	<b>195 441 663</b>	<b>378 928 584</b>	<b>-</b>	<b>(23 873 277)</b>	<b>355 055 307</b>	<b>301 631 827</b>	<b>283 317 863</b>	<b>(53 423 480)</b>	<b>84.95</b>	<b>164.39</b>

***Financial Performance: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

**Fines:**

Fines issued/paid exceeded budgetary expectations.

**Income for Agency Services:**

Income for Agency Services exceeded budgetary expectations.

**Government Grants and Subsidies Received:**

Capital Transfers below are included in the budget for Government Grants and Subsidies Received.

**Interest Earned - External Investments:**

Interest Earned exceeded the budgetary expectations due to unspent grants invested.

**Interest Earned - Outstanding Debtors:**

It was budgeted only for the portion of interest expected to be paid by debtors.

**Other Income:**

Other Income received exceeded budgetary expectations.

**Profit on Sale of Land:**

Land sales exceeded budgetary expectations.

**Collection Costs:**

The amount is not material.

**Depreciation and Amortisation:**

Depreciation and Amortisation increased beyond budgetary expectations because of the review of remaining useful lives of assets.

**Impairment Losses:**

Under budgeted for Impairment Losses on Receivables.

**Finance Costs:**

The amount is not material.

**Grants and Subsidies Paid:**

Over budgeted for Indigent Subsidies paid.

**General Expenses :**

Over budgeted for General Expenses.

**Transfers Recognised - Capital:**

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	370 000	496 751	866 751	-	(26 600)	840 151	254 921	-	(585 230)	30.34	68.90
Finance and Administration	2 335 730	3 611 657	5 947 387	-	(4 478 745)	1 468 642	900 454	-	(568 188)	61.31	38.55
Planning and Development	117 300	319 361	436 661	-	(194 454)	242 207	235 789	-	(6 418)	97.35	201.01
Community and Social Services	182 510	2 688 434	2 870 944	-	(894 320)	1 976 624	2 853 391	876 767	876 767	144.36	1 563.42
Housing	-	370 000	370 000	-	(325 630)	44 370	44 370	-	(0)	100.00	0.00
Public Safety	1 135 150	(10 000)	1 125 150	-	(869 842)	255 308	194 561	-	(60 747)	76.21	17.14
Sport and Recreation	9 040 000	5 020 320	14 060 320	-	(4 455 690)	9 604 630	8 651 208	-	(953 422)	90.07	95.70
Environmental Protection	105 330	-	105 330	-	-	105 330	11 089	-	(94 241)	10.53	10.53
Waste Management	19 610 151	5 587 353	25 197 504	-	(19 084 525)	6 112 979	6 055 306	-	(57 673)	99.06	30.88
Roads and Transport	101 413 000	35 854 690	137 267 690	-	(31 195 895)	106 071 795	105 390 947	-	(680 848)	99.36	103.92
Water	103 389 800	145 215 091	248 604 891	-	(17 639 727)	230 965 164	200 719 787	-	(30 245 377)	86.90	194.14
Electricity	17 740 650	7 246 900	24 987 550	-	(18 147 052)	6 840 498	6 351 616	-	(488 882)	92.85	35.80
Other	44 300	5 500	49 800	-	(19 176)	30 624	30 621	-	(3)	99.99	69.12
<b>Total Capital Expenditure</b>	<b>255 483 921</b>	<b>206 406 057</b>	<b>461 889 978</b>	<b>-</b>	<b>(97 331 656)</b>	<b>364 558 322</b>	<b>331 694 060</b>	<b>876 767</b>	<b>(32 864 262)</b>	<b>90.99</b>	<b>129.83</b>
						(29 786 123.00)					
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Executive and Council: Savings realised on capital items budgeted for and not procured.											
Finance and Administration: Savings realised on capital items budgeted for and not procured.											
Community and Social Services: Take-on of Library Books previously expensed.											
Public Safety: Savings realised on capital items budgeted for and not procured.											
Sport and Recreation: MIG and NDPG Projects not finalised - Budget rolled over to 2013/14 for completion in ther next financial year.											
Environmental Protection: Savings realised on capital items budgeted for and not procured.											
Waste Management: E/S and MIG Projects not finalised - Budget rolled over to 2013/14 for completion in ther next financial year.											
Water: E/S and MIG Projects not finalised - Budget rolled over to 2013/14 for completion in ther next financial year.											

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	292 381 167	4 052 606	296 433 773	-	-	296 433 773	41 182 913	-	(255 250 860)	13.89	14.09
Grants	488 802 065	198 839 695	687 641 760	-	-	687 641 760	646 884 924	-	(40 756 836)	94.07	132.34
Public Contributions and Donations	-	-	-	-	-	-	6 326 989	6 326 989	6 326 989	0.00	0.00
Service Charges	-	-	-	-	-	-	243 314 554	243 314 554	243 314 554	0.00	0.00
Interest Received	17 918 000	5 255 000	23 173 000	-	-	23 173 000	28 899 438	5 726 438	5 726 438	124.71	161.29
Other Receipts	(19 661 194)	19 806 550	145 355	-	-	145 355	(43 007 088)	-	(43 152 443)	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(163 258 579)	-	(163 258 579)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(16 231 033)	-	(16 231 033)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(621 252)	-	(621 252)	0.00	0.00
Suppliers Paid	(448 815 674)	121 801 444	(327 014 230)	-	-	(327 014 230)	(230 452 041)	96 562 189	96 562 189	0.00	0.00
Other Payments	(23 651 746)	(3 400 114)	(27 051 860)	-	-	(27 051 860)	(223 530 926)	-	(196 479 066)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(255 483 921)	21 989 837	(233 494 084)	-	-	(233 494 084)	(331 543 890)	-	(98 049 806)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(150 170)	-	(150 170)	0.00	0.00
Profit on Sale of Land	6 000 000	-	6 000 000	-	-	6 000 000	8 780 722	2 780 722	2 780 722	146.35	146.35
Decrease / (Increase) in Long-term Receivables	3 479 027	(3 479 027)	-	-	-	-	867 039	867 039	867 039	0.00	24.92
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>60 967 723</b>	<b>364 865 992</b>	<b>425 833 715</b>	<b>-</b>	<b>-</b>	<b>425 833 715</b>	<b>(32 538 401)</b>	<b>355 577 931</b>	<b>(458 372 115)</b>	<b>0.00</b>	<b>0.00</b>

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

Budget not aligned to GRAP requirements - Service Charges below included in Property Rates.

Public Contributions and Donations

Budget not aligned to GRAP requirements - Public Donations included in Grants above.

Service Charges

Budget not aligned to GRAP requirements - Service Charges included in Property Rates above.

Interest Received

Interest Earned exceeded the budgetary expectations due to unspent grants invested.

Other Receipts

Budget did not foresee the increase in VAT Receivable causing a negative income.

Employee Related Costs

Budget not aligned to GRAP requirements - Employee Costs included in Suppliers Paid below.

Remuneration of Councillors

Budget not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Interest Paid

Did not budget for Finance Cost as the municipality does not have any borrowings - Expense due to Interest and Penalties by SARS on late payments made.

Suppliers Paid

Budget not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Other Payments

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Property, Plant and Equipment:

Did not budget for capital roll-overs from 2011/12.

Purchase of Intangible Assets:

Budget not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Profit on Sale of Land:

Land sales exceeded budgetary expectations.

Decrease / (Increase) in Long-term Receivables:

Did not budget for the change in Long-term Receivables.

Cash and Cash Equivalents at End of the Year:

Net expenditure exceeded budgetary expectations.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	6 138 285	2 575 587	8 713 872	-	(174 277)	8 539 595	9 110 318	-	570 723	106.68	148.42
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	35 114 820	2 905 990	38 020 810	-	(760 416)	37 260 394	31 396 148	-	(5 864 246)	84.26	89.41
Receivables from Non-exchange Transactions	32 124 951	(8 421 451)	23 703 500	-	(474 070)	23 229 430	30 604 927	-	7 375 497	131.75	95.27
VAT Receivable	-	-	-	-	-	-	6 763 026	-	6 763 026	0.00	0.00
Cash and Cash Equivalents	206 736 017	87 298 610	294 034 627	-	(5 880 693)	288 153 934	501 750 484	-	213 596 549	174.13	242.70
Operating Lease Receivables	-	-	-	-	-	-	208 026	-	208 026	0.00	0.00
Current Portion of Long-term Receivables	5 267 233	1 058 954	6 326 187	-	(126 524)	6 199 663	6 387 461	-	187 797	103.03	121.27
<b>Non-Current Assets</b>											
Property, Plant and Equipment	835 317 119	63 584 798	898 901 917	-	(17 978 038)	880 923 879	1 018 569 289	-	137 645 410	115.63	121.94
Intangible Assets	6 010 016	-	6 010 016	-	(120 200)	5 889 816	1 209 765	-	(4 680 050)	20.54	20.13
Investment Property	4 864 000	(1 766 123)	3 097 877	-	(61 958)	3 035 919	3 006 244	-	(29 676)	99.02	61.81
Heritage Assets	-	-	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Long-term Receivables	3 074 759	(229 475)	2 845 284	-	(56 906)	2 788 378	2 289 574	-	(498 804)	82.11	74.46
<b>Total Assets</b>	1 134 647 200	147 006 890	1 281 654 090	-	(25 633 082)	1 256 021 008	1 617 031 603	-	361 010 595	128.74	142.51
<b>Current Liabilities</b>											
Consumer Deposits	2 999 218	16 707 453	19 706 671	-	(394 133)	19 312 538	19 661 194	-	348 657	101.81	655.54
Provisions	428 588	3 079 601	3 508 189	-	(70 164)	3 438 025	3 010 153	-	(427 872)	87.55	702.34
Payables from Exchange Transactions	79 537 692	(3 707 549)	75 830 143	-	(1 516 603)	74 313 540	70 599 578	-	(3 713 962)	95.00	88.76
Payables from Non-exchange Transactions	-	-	-	-	-	-	29 643 412	-	29 643 412	0.00	0.00
Unspent Conditional Grants and Receipts	36 588 166	50 792 698	87 380 864	-	(1 747 617)	85 633 247	172 966 526	-	87 333 279	201.99	472.74
<b>Non-Current Liabilities</b>											
Retirement Benefit Liabilities	36 784 552	9 121 554	45 906 106	-	(918 122)	44 987 984	42 973 441	-	(2 014 543)	95.52	116.82
Non-current Provisions	-	-	-	-	-	-	11 649 147	-	11 649 147	0.00	0.00
<b>Total Liabilities</b>	156 338 216	75 993 757	232 331 973	-	(4 646 639)	227 685 334	350 503 452	-	122 818 118	153.94	224.20
<b>Total Assets and Liabilities</b>	<b>978 308 984</b>	<b>71 013 133</b>	<b>1 049 322 117</b>	<b>-</b>	<b>(20 986 442)</b>	<b>1 028 335 675</b>	<b>1 266 528 151</b>	<b>-</b>	<b>238 192 477</b>	<b>123.16</b>	<b>129.46</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	978 308 984	71 013 133	1 049 322 117	-	(20 986 442)	1 028 335 675	1 266 528 151	-	238 192 477	123.16	129.46
<b>Total Net Assets</b>	<b>978 308 984</b>	<b>71 013 133</b>	<b>1 049 322 117</b>	<b>-</b>	<b>(20 986 442)</b>	<b>1 028 335 675</b>	<b>1 266 528 151</b>	<b>-</b>	<b>238 192 477</b>	<b>123.16</b>	<b>129.46</b>

***Financial Position: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Over budgeted for Receivables.

Receivables from Non-exchange Transactions:

Under budgeted for Receivables.

VAT Receivable:

Budget not aligned to GRAP requirements - did not budget for VAT Receivable.

Cash and Cash Equivalents:

Unspent grants at year-end invested.

Operating Lease Receivables:

Budget not aligned to GRAP requirements - did not budget for Lease Receivables.

Property, Plant and Equipment:

Did not budget for Roll-over Projects from 2010/11.

Intangible Assets:

Over budgeted for Intangible Assets.

Heritage Assets:

Did not budget for Heritage Assets which were restated in the Annual Financial Statements for 2011/12.

Long-term Receivables:

Under budgeted for Stand Sale Loans.

Provisions:

Over budgeted for Performance Bonuses.

Payables from Non-exchange Transactions:

Did not budget for Payables from Non-exchange Transactions.

Unspent Conditional Grants and Receipts:

Projects budgeted for wre not completed.

Non-current Provisions:

Did not budget for Non-current Provisions.

Accumulated Surplus / (Deficit):

Surplus for the current financial year exceeded the budgeted surplus.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	32 307 437	5 925 702	38 233 139	-	-	38 233 139	38 795 308	-	562 169	101.47	120.08
Fines	1 189 079	118 459	1 307 538	-	-	1 307 538	1 145 537	-	(162 001)	87.61	96.34
Licences and Permits	76 855	3 145	80 000	-	-	80 000	67 550	-	(12 450)	84.44	87.89
Income for Agency Services	6 347 313	286 677	6 633 990	-	-	6 633 990	8 945 566	-	2 311 576	134.84	140.93
Government Grants and Subsidies Received	400 384 917	121 951 081	522 335 998	-	(1 640 899)	520 695 099	240 523 420	-	(280 171 679)	46.19	60.07
Public Contributions and Donations	(8 000)	15 845 856	15 837 856	-	-	15 837 856	15 219 166	-	(618 690)	96.09	0.00
<b>Revenue from Exchange Transactions</b>											
Service Charges	186 566 938	27 622 073	214 189 011	-	-	214 189 011	216 313 192	-	2 124 181	100.99	115.94
Rental of Facilities and Equipment	816 205	(37 470)	778 735	-	-	778 735	1 033 617	-	254 882	132.73	126.64
Interest Earned - External Investments	13 000 000	4 000 000	17 000 000	-	-	17 000 000	24 859 260	-	7 859 260	146.23	191.23
Interest Earned - Outstanding Debtors	2 120 000	37 100	2 157 100	-	-	2 157 100	23 074 189	-	20 917 089	1 069.69	1 088.41
Other Income	2 705 066	1 812 118	4 517 184	-	-	4 517 184	9 184 141	-	4 666 957	203.32	339.52
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	827 142	-	827 142	0.00	0.00
Profit on Sale of Land	4 166 767	(166 767)	4 000 000	-	-	4 000 000	4 532 476	-	532 476	113.31	108.78
<b>Total Revenue</b>	<b>649 672 577</b>	<b>177 397 974</b>	<b>827 070 551</b>	<b>-</b>	<b>(1 640 899)</b>	<b>825 429 652</b>	<b>584 520 565</b>	<b>-</b>	<b>(240 909 087)</b>	<b>70.81</b>	<b>89.97</b>
<b>Expenditure</b>											
Employee Related Costs	152 864 589	17 127 410	169 991 999	-	467 000	170 458 999	155 186 871	-	(15 272 128)	91.04	101.52
Remuneration of Councillors	14 483 810	697 065	15 180 875	-	-	15 180 875	15 107 713	-	(73 162)	99.52	104.31
Collection Costs	100 000	85 000	185 000	-	-	185 000	118 480	-	(66 520)	64.04	118.48
Depreciation and Amortisation	44 191 038	14 035 827	58 226 865	-	-	58 226 865	46 965 637	-	(11 261 228)	80.66	106.28
Impairment Losses	32 193 880	7 128 262	39 322 142	-	5 300 000	44 622 142	43 538 102	-	(1 084 040)	97.57	135.24
Repairs and Maintenance	66 415 744	(10 219 303)	56 196 441	-	(429 459)	55 766 982	56 412 971	645 989	645 989	101.16	84.94
Finance Costs	-	-	-	-	-	-	442 247	442 247	442 247	0.00	0.00
Bulk Purchases	106 200 000	25 140 000	131 340 000	-	(5 300 000)	126 040 000	122 946 781	-	(3 093 219)	97.55	115.77
Contracted Services	13 828 009	4 865 569	18 693 578	-	(976 000)	17 717 578	13 269 665	-	(4 447 913)	74.90	95.96
Grants and Subsidies Paid	29 185 553	2 694 778	31 880 331	-	870 000	32 750 331	33 748 486	998 155	998 155	103.05	115.63
General Expenses	25 855 104	17 412 923	43 268 027	-	1 162 879	44 430 906	27 838 135	-	(16 592 771)	62.65	107.67
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	1 799 189	1 799 189	1 799 189	0.00	0.00
<b>Total Expenditure</b>	<b>485 317 727</b>	<b>78 967 531</b>	<b>564 285 258</b>	<b>-</b>	<b>1 094 420</b>	<b>565 379 678</b>	<b>517 374 277</b>	<b>3 885 580</b>	<b>(48 005 401)</b>	<b>91.51</b>	<b>106.61</b>
<b>Surplus/(Deficit)</b>	<b>164 354 850</b>	<b>98 430 443</b>	<b>262 785 293</b>	<b>-</b>	<b>(2 735 319)</b>	<b>260 049 974</b>	<b>67 146 288</b>	<b>(3 885 580)</b>	<b>(192 903 686)</b>	<b>25.82</b>	<b>40.85</b>
Transfers Recognised - Capital	-	-	-	-	-	-	144 544 896	144 544 896	144 544 896	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>164 354 850</b>	<b>98 430 443</b>	<b>262 785 293</b>	<b>-</b>	<b>(2 735 319)</b>	<b>260 049 974</b>	<b>211 691 184</b>	<b>140 659 316</b>	<b>(48 358 790)</b>	<b>81.40</b>	<b>128.80</b>

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Fines:

Less Fines issued than anticipated.

Licences and Permits:

Less Licences/Permits issued than anticipated.

Income for Agency Services:

More Licences, issued on behalf of Principals, issued than anticipated.

Government Grants and Subsidies Received:

Capital Transfers below are included in the budget for Government Grants and Subsidies Received // Commitments not met due to delay in awarding of tenders.

Rental of Facilities and Equipment:

More Rental earned than anticipated.

Interest Earned - External Investments:

Investments held more than budgeted for.

Interest Earned - Outstanding Debtors:

Budgeted only for anticipated Recoverable Interest.

Other Income:

Retentions Forfeited and Unclaimed Moneys older than 3 years not budgeted for.

Gains on Disposal of Property, Plant and Equipment:

Gains not budgeted for.

Profit on Sale of Land:

Land Sales exceeded expectations.

Collection Costs:

Expenditure less than anticipated.

Depreciation and Amortisation:

Capital Projects budgeted for not completed/started during the year.

Finance Costs:

Not material.

Contracted Services:

Savings on expenditure realised.

General Expenses :

Savings realised on expenditure.

Loss on Disposal of Property, Plant and Equipment:

Loss on Insurance Claims and Disposal of Assets not budgeted for.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>						0	0				
Executive and Council	486 853	-	486 853	-	2 176 370	2 663 223	2 573 773	-	(89 450)	96.64	528.66
Finance and Administration	1 566 968	-	1 566 968	-	666 761	2 233 729	1 735 622	-	(498 107)	77.70	110.76
Planning and Development	259 965	-	259 965	-	66 615	326 580	237 903	-	(88 677)	72.85	91.51
Community and Social Services	9 266 339	-	9 266 339	-	3 106 725	12 373 064	13 879 892	1 506 828	1 506 828	112.18	149.79
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00
Public Safety	1 119 600	-	1 119 600	-	1 773 306	2 892 906	2 191 717	-	(701 189)	75.76	195.76
Sport and Recreation	27 158 357	-	27 158 357	-	(9 380 182)	17 778 175	15 619 373	-	(2 158 802)	87.86	57.51
Environmental Protection	3 000	-	3 000	-	3 500	6 500	6 497	-	(3)	99.96	216.58
Waste Management	15 317 236	-	15 317 236	-	(4 640 949)	10 676 287	9 038 618	-	(1 637 669)	84.66	59.01
Roads and Transport	86 223 155	-	86 223 155	-	(25 538 969)	60 684 186	57 262 608	-	(3 421 578)	94.36	66.41
Water	83 133 207	-	83 133 207	-	(27 570 499)	55 562 708	49 799 865	-	(5 762 843)	89.63	59.90
Electricity	24 031 761	-	24 031 761	-	(11 551 758)	12 480 003	11 421 084	-	(1 058 919)	91.52	47.52
Other	900	-	900	-	41 600	42 500	27 677	-	(14 823)	65.12	3 075.21
<b>Total Capital Expenditure</b>	<b>248 567 341</b>	<b>-</b>	<b>248 567 341</b>	<b>-</b>	<b>(70 847 480)</b>	<b>177 719 861</b>	<b>163 794 630</b>	<b>1 506 828</b>	<b>(13 925 231)</b>	<b>92.16</b>	<b>65.90</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:											
Finance and Administration: Savings realised - Assets not procured as budgeted for.											
Planning and Development: Savings realised on procurement of Air Conditioners.											
Community and Social Services: Library books purchased from own funds not budgeted for.											
Public Safety: Savings realised - Assets not procured as budgeted for.											
Sport and Recreation: Construction of Sports Node not finalised - Budget rolled over to 2012/13.											
Waste Management: MIG Projects not finalised - Budget rolled over to 2012/13.											
Water: DWAE and MIG Projects not finalised - Budget rolled over to 2012/13.											
Other: Not material.											

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	226 518 655	57 215 898	283 734 553	-	(5 674 691)	278 059 862	34 138 368	-	(243 921 494)	12.28	15.07
Grants	351 227 459	130 108 539	481 335 998	-	(9 626 720)	471 709 278	300 565 456	-	(171 143 822)	63.72	85.58
Public Contributions and Donations	-	-	-	-	-	-	14 136 365	14 136 365	14 136 365	0.00	0.00
Service Charges	-	-	-	-	-	-	169 620 001	169 620 001	169 620 001	0.00	0.00
Interest Received	8 250 000	8 750 000	17 000 000	-	(340 000)	16 660 000	24 859 260	8 199 260	8 199 260	149.22	301.32
Other Receipts	-	(19 706 671)	(19 706 671)	-	394 133	(19 312 538)	137 580 968	156 893 505	156 893 505	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(150 296 721)	-	(150 296 721)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(15 107 713)	-	(15 107 713)	0.00	0.00
Interest Paid	(520 000)	520 000	-	-	-	-	(442 247)	-	(442 247)	0.00	0.00
Suppliers Paid	(458 576 566)	(103 519 717)	(562 096 283)	-	11 241 926	(550 854 357)	(170 005 951)	380 848 406	380 848 406	0.00	0.00
Other Payments	(1 785 487)	(455 649)	(2 241 136)	-	44 823	(2 196 313)	19 465 562	21 661 876	21 661 876	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(65 052 999)	(210 046 079)	(275 099 078)	-	5 501 982	(269 597 096)	(162 688 953)	106 908 144	106 908 144	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(1 105 678)	-	(1 105 678)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	4 000 000	4 000 000	-	(80 000)	3 920 000	1 604 803	-	(2 315 197)	40.94	0.00
Profit on Sale of Land	-	-	-	-	-	-	4 532 476	4 532 476	4 532 476	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	221 529 244	221 529 244	-	(4 430 585)	217 098 659	859 861	-	(216 238 798)	0.40	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>60 061 062</b>	<b>88 395 565</b>	<b>148 456 627</b>	<b>-</b>	<b>(2 969 133)</b>	<b>145 487 494</b>	<b>207 715 857</b>	<b>862 800 033</b>	<b>62 228 362</b>	<b>142.77</b>	<b>345.84</b>

***Cash Flow: Explanation of Variances between Approved Budget and Actual***

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

Budget not aligned to GRAP requirements - Service Charges below included in Property Rates.

Grants

Commitments not met due to delay in awarding of tenders.

Public Contributions and Donations

Budget not aligned to GRAP requirements - Public Donations included in Grants above.

Service Charges

Budget not aligned to GRAP requirements - Service Charges included in Property Rates above.

Interest Received

Interest Earned exceeded the budgetary expectations due to unspent grants invested.

Other Receipts

Budget did not foresee the increase in Unspent Grants causing a positive income.

Employee Related Costs

Budget not aligned to GRAP requirements - Employee Costs included in Suppliers Paid below.

Remuneration of Councillors

Budget not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

Interest Paid

Did not budget for Finance Cost as the municipality does not have any borrowings - Amount not material.

Suppliers Paid

Budget not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

Other Payments

It was not budgeted for the effect of changes in outstanding payables.

Purchase of Property, Plant and Equipment:

Projects budgeted for were not implemented.

Purchase of Intangible Assets:

Budget not aligned to GRAP requirements - Purchase of Intangible Assets included in Purchase of Property, Plant and Equipment above.

Proceeds on Disposal of Property, Plant and Equipment:

Did not budget for the disposal of Property, Plant and Equipment.

Profit on Sale of Land:

Land sales exceeded budgetary expectations.

Decrease / (Increase) in Long-term Receivables:

Did not budget for the change in Long-term Receivables.

Cash and Cash Equivalents at End of the Year:

Net expenditure exceeded budgetary expectations.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>301 631 827</b>		<b>211 691 184</b>
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	234 434		(6 487 871)
Fines	(549 321)		43 542
Licences and Permits	2 590		9 305
Revenue for Agency Services	(1 353 534)		(2 598 253)
Government Grants and Subsidies Received	93 357 755		15 316 601
Public Contributions and Donations	72 299		(15 227 166)
<b>Revenue from Exchange Transactions</b>			
Service Charges	(1 793 904)		(29 746 254)
Rental of Facilities and Equipment	(90 326)		(217 412)
Interest Earned - External Investments	(5 726 438)		(11 859 260)
Interest Earned - Outstanding Debtors	(24 058 398)		(20 954 189)
Other Revenue	(4 191 771)		(6 479 075)
Gains on Disposal of Property, Plant and Equipment	-		(827 142)
Profit on Sale of Land	(1 045 532)		(365 709)
<b>Expenditure</b>			
Employee Related Costs	(1 829 752)		2 322 282
Remuneration of Councillors	(1 183 612)		623 903
Collection Costs	(52 378)		18 480
Depreciation and Amortisation	14 228 921		2 774 599
Impairment Losses	16 409 522		11 344 222
Repairs and Maintenance	674 789		(10 002 773)
Finance Costs	621 252		442 247
Bulk Purchases	(11 711 266)		16 746 781
Contracted Services	(1 600 501)		(558 344)
Grants and Subsidies Paid	(4 535 894)		4 562 933
General Expenses	(12 455 457)		1 983 031
Loss on Disposal of Property, Plant and Equipment	-		1 799 189
<b>Net surplus/deficit per approved budget</b>	<b>355 055 307</b>		<b>164 354 850</b>

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

*1.1 Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

*1.2 Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

**1.2 Critical Judgements, Estimations and Assumptions (continued)**

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**1.2.1 Revenue Recognition**

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.2.2 Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

**1.2.3 Impairment of Financial Assets**

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.2 Critical Judgements, Estimations and Assumptions (continued)*

**1.2.3 Impairment of Financial Assets (continued)**

♦ **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions amounted to R49 606 317 and that of Receivables from Non-exchange Transactions to R3 243 857.

**1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets**

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

**1.2.5 Impairment: Write-down of Property, Plant and Equipment, and Inventories**

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.2 Critical Judgements, Estimations and Assumptions (continued)*

**1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)**

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year the estimated impairments to Property, Plant and Equipment amounted to R1 097, whilst no impairments were made to Intangible Assets, Investment Property, Heritage Assets or inventory.

**1.2.6 Water Inventory**

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy, paragraph 9.2.2.

**1.2.7 Defined Benefit Plan Liabilities**

As described in Accounting Policy 13.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

**1.2.8 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

**1.2.9 Budget Information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

**1.3 Presentation Currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

**1.4 Going Concern Assumption**

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

**1.5 Offsetting**

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective**

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 20 Related Party Disclosures (Revised)
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 105 Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106 Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)*

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**2. ACCUMULATED SURPLUS**

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

*2.1 Capital Replacement Reserve (CRR)*

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- ◆ The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**2. ACCUMULATED SURPLUS (continued)**

**2.2 Capitalisation Reserve**

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

**2.3 Donations and Public Contributions Reserve**

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**2. ACCUMULATED SURPLUS (continued)**

*2.4 Government Grants Reserve*

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

**3. PROPERTY, PLANT AND EQUIPMENT**

*3.1 Initial Recognition*

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3.1 Initial Recognition (continued)**

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

**3.2 Subsequent Measurement**

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

**3.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3.3 Depreciation (continued)**

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

<b>Asset Class</b>	<b>Years</b>	<b>Asset Class</b>	<b>Years</b>
<b>Buildings</b>		<b>Community</b>	
Improvements	5 - 46	Community Facilities	5 - 47
		Recreational Facilities	15 - 37
<b>Infrastructure</b>		<b>Other</b>	
Electricity	5 - 80	Computer Equipment	5 - 10
Railways	30	Emergency Equipment	5 - 10
Roads	5 - 80	Furniture and Fittings	5 - 15
Sanitation	5 - 80	Motor Vehicles	7 - 10
Solid Waste	15 - 55	Office Equipment	5 - 15
Water	5 - 80	Plant and Equipment	2 - 15
		Specialist Vehicles	10 - 15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

**3.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

**3.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

**3.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

*3.7 Derecognition of Property, Plant and Equipment*

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

**4. INTANGIBLE ASSETS**

*4.1 Initial Recognition*

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**4. INTANGIBLE ASSETS (continued)**

*4.1 Initial Recognition (continued)*

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

*4.2 Subsequent Measurement, Amortisation and Impairment*

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**4. INTANGIBLE ASSETS (continued)**

*4.2 Subsequent Measurement, Amortisation and Impairment (continued)*

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Computer Software	5		

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

*4.3 Derecognition*

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

**5. INVESTMENT PROPERTY**

*5.1 Initial Recognition*

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**5. INVESTMENT PROPERTY (continued)**

**5.1 Initial Recognition (continued)**

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- ◆ Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- ◆ A property owned by the municipality and leased out at a below market rental; and
- ◆ Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide goods and services and also generates cash inflows; and
- ◆ Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

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**5. INVESTMENT PROPERTY (continued)**

**5.2 Subsequent Measurement**

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5.3 Derecognition**

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

**6. HERITAGE ASSETS**

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

**6.1 Initial Recognition**

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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**6. HERITAGE ASSETS (continued)**

**6.1 Initial Recognition (continued)**

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

**6.2 Subsequent Measurement**

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

**6.3 Derecognition**

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

**6.4 Transitional Provisions**

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**7. IMPAIRMENT OF ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

**7.1 Impairment of Cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset. Value in use is determined as the depreciated replacement cost of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**7. IMPAIRMENT OF ASSETS (continued)**

*7.2 Impairment of Non-cash Generating Assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Value in use is determined as the depreciated replacement cost of the asset.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. FINANCIAL INSTRUMENTS**

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

**Initial Recognition**

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Fair Value Methods and Assumptions**

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**The Effective Interest Rate Method**

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

**Amortised Cost**

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. FINANCIAL INSTRUMENTS (continued)**

**8.1 Financial Assets – Classification**

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- ◆ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- ◆ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. FINANCIAL INSTRUMENTS (continued)**

*8.1 Financial Assets – Classification (continued)*

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

*8.2 Financial Liabilities – Classification*

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Creditors	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

*Financial Liabilities that are measured at Fair Value* are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**8. FINANCIAL INSTRUMENTS (continued)**

*8.3 Initial and Subsequent Measurement*

**8.3.1 Financial Assets:**

**Financial Assets measured at Amortised Cost**

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

**Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

**8.3.2 Financial Liabilities:**

**Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

**Financial Liabilities held at Amortised Cost**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**8. FINANCIAL INSTRUMENTS (continued)**

**8.4 Impairment of Financial Assets**

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

**8.4.1 Financial Assets at Amortised Cost**

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. FINANCIAL INSTRUMENTS (continued)**

*8.4 Impairment of Financial Assets (continued)*

**8.4.2 Financial Assets at Cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

*8.5 Derecognition of Financial Assets*

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

*8.6 Derecognition of Financial Liabilities*

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**9. INVENTORIES**

**9.1 Initial Recognition**

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

**9.2 Subsequent Measurement**

**9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, commodities are valued by using the *FIFO Method*. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

**9.2.2 Water Inventory:**

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**9. INVENTORIES (continued)**

**9.2.3 Unsold Properties:**

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

**9.2.4 Other Arrangements:**

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**10. NON-CURRENT ASSETS HELD-FOR-SALE**

**10.1 Initial Recognition**

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**10. NON-CURRENT ASSETS HELD-FOR-SALE (continued)**

*10.2 Subsequent Measurement*

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

**11. REVENUE RECOGNITION**

*11.1 General*

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from *Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

**MOGALAKWENA MUNICIPALITY**  
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**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. REVENUE RECOGNITION (continued)**

*11.1 General (continued)*

Revenue from *Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

*11.2 Revenue from Exchange Transactions*

**11.2.1 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**11.2.2 Prepaid Electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. REVENUE RECOGNITION (continued)**

*11.2 Revenue from Exchange Transactions (continued)*

**11.2.3 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

**11.2.4 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

**11.2.5 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**11.2.6 Revenue from Agency Services**

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

**11.2.7 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ◆ The amount of revenue can be measured reliably;
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. REVENUE RECOGNITION (continued)**

*11.3 Revenue from Non-exchange Transactions*

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

**11.3.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**11.3.2 Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. REVENUE RECOGNITION (continued)**

*11.3 Revenue from Non-exchange Transactions (continued)*

**11.3.3 Public Contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

**11.3.4 Government Grants and Receipts**

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**MOGALAKWENA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. REVENUE RECOGNITION (continued)**

*11.3 Revenue from Non-exchange Transactions (continued)*

**11.3.4 Government Grants and Receipts (continued)**

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

**11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

**12. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**12. PROVISIONS (continued)**

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

**13. EMPLOYEE BENEFITS**

*13.1 Short-term Employee Benefits*

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**13. EMPLOYEE BENEFITS (continued)**

*13.2 Post-employment Benefits*

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

**13.2.1 Defined Contribution Plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**13.2.2 Defined Benefit Plans**

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

**Post-retirement Health Care Benefits:**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**13. EMPLOYEE BENEFITS (continued)**

*13.2 Post-employment Benefits (continued)*

**13.2.2 Defined Benefit Plans (continued)**

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

**Long-service Allowance:**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

**Provincially-administered Defined Benefit Plans:**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities

**Defined Benefit Pension Plans:**

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**13. EMPLOYEE BENEFITS (continued)**

*13.2 Post-employment Benefits (continued)*

**13.2.2 Defined Benefit Plans (continued)**

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

**14. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**15. LEASES**

*15.1 Classification*

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

*15.2 The Municipality as Lessee*

**15.2.1 Operating Leases**

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*15.3 The Municipality as Lessor*

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

**16. VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**17. UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**18. IRREGULAR EXPENDITURE**

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

**21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

**22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**23. COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

**24. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**25. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

**MOGALAKWENA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**26. COMPARATIVE INFORMATION**

*26.1 Current year comparatives:*

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

*26.2 Prior year comparatives:*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

*26.3 Budget Information:*

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**                      **2012**  
**R**

**1. GENERAL INFORMATION**

Mogalakwena Municipality (the municipality) is a local government institution in Mokopane, Limpopo Province, and is one of six local municipalities under the jurisdiction of the Waterberg District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumable Stores - at cost	7 440 467	7 770 490
Property Stock	1 206 584	1 211 330
Water - at cost	157 458	128 498
<b>Total Inventories</b>	<b>8 804 509</b>	<b>9 110 318</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R4,53 per kilolitre (2012: R4,21 per kilolitre).

The cost of Inventories recognised as an expense during the period was R11 181 538 (2012: R10 094 125).

Inventories of R2 615 734 (2012: R2 193 447) are expected to be utilised only after more than twelve months.

Inventories of R3 645 780 (2012: R3 923 242) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. NON-CURRENT ASSETS HELD-FOR-SALE**

Property Held-for-Sale - at cost	50 319	-
<b>Net Non-current Assets Held-for-Sale</b>	<b>50 319</b>	<b>-</b>

**3.1 Property Held-for-Sale**

The municipality intends to dispose of movable assets within the next twelve months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2013.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012	
	R	R	
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	133 597 057	111 395 203	22 201 853
Electricity	32 193 720	20 560 171	11 633 549
Refuse	20 788 313	18 752 709	2 035 603
Sewerage	15 839 724	12 553 285	3 286 439
Water	64 775 300	59 529 038	5 246 262
Other Receivables	98 210 486	84 573 641	13 636 845
Total Receivables from Exchange Transactions	231 807 543	195 968 844	35 838 699
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	140 997 358	120 840 475	20 156 882
Electricity	28 295 050	16 321 196	11 973 854
Refuse	23 756 745	21 889 858	1 866 887
Sewerage	17 042 453	14 162 660	2 879 793
Water	71 903 110	68 466 762	3 436 348
Other Receivables	96 667 403	85 428 137	11 239 266
Total Receivables from Exchange Transactions	237 664 761	206 268 613	31 396 148

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R35 393 713 (30 June 2012: R28 285 354) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**4.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2013**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	11 252 989	7 056 196	2 758 390	11 126 146	32 193 720
Less: Provision for Impairment	662 984	6 755 164	2 339 798	10 802 225	20 560 171
<b>Net Balances</b>	<b>10 590 005</b>	<b>301 032</b>	<b>418 592</b>	<b>323 921</b>	<b>11 633 549</b>
<b>Refuse:</b>					
Gross Balances	751 918	520 655	350 308	19 165 432	20 788 313
Less: Provision for Impairment	192 349	488 188	322 699	17 749 473	18 752 709
<b>Net Balances</b>	<b>559 568</b>	<b>32 467</b>	<b>27 609</b>	<b>1 415 959</b>	<b>2 035 603</b>
<b>Sewerage:</b>					
Gross Balances	743 947	511 076	293 144	14 291 557	15 839 724
Less: Provision for Impairment	160 266	469 114	254 216	11 669 690	12 553 285
<b>Net Balances</b>	<b>583 681</b>	<b>41 963</b>	<b>38 928</b>	<b>2 621 867</b>	<b>3 286 439</b>
<b>Water:</b>					
Gross Balances	4 711 074	2 427 766	1 910 248	55 726 212	64 775 300
Less: Provision for Impairment	1 322 507	2 199 795	1 701 426	54 305 310	59 529 038
<b>Net Balances</b>	<b>3 388 567</b>	<b>227 971</b>	<b>208 822</b>	<b>1 420 902</b>	<b>5 246 262</b>
<b>Other Receivables:</b>					
Gross Balances	1 647 129	2 168 385	1 991 967	92 403 005	98 210 486
Less: Provision for Impairment	483 271	1 932 739	1 760 244	80 397 386	84 573 641
<b>Net Balances</b>	<b>1 163 858</b>	<b>235 646</b>	<b>231 723</b>	<b>12 005 619</b>	<b>13 636 845</b>

As at 30 June Receivables of R19 553 020 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	12 684 078	7 304 056	192 712 353	212 700 487
Less: Provision for Impairment	11 845 000	6 378 382	174 924 085	193 147 467
<b>Net Balances</b>	<b>839 078</b>	<b>925 674</b>	<b>17 788 268</b>	<b>19 553 020</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

				2013 R	2012 R
<b>As at 30 June 2012</b>					
	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	11 877 405	6 369 282	1 492 026	8 556 336	28 295 050
Less: Provision for Impairment	393 948	6 107 351	1 447 372	8 372 524	16 321 196
<b>Net Balances</b>	<b>11 483 457</b>	<b>261 931</b>	<b>44 654</b>	<b>183 812</b>	<b>11 973 854</b>
<b>Refuse:</b>					
Gross Balances	789 034	681 133	506 221	21 780 357	23 756 745
Less: Provision for Impairment	235 102	623 601	486 193	20 544 961	21 889 858
<b>Net Balances</b>	<b>553 932</b>	<b>57 532</b>	<b>20 028</b>	<b>1 235 396</b>	<b>1 866 887</b>
<b>Sewerage:</b>					
Gross Balances	745 778	514 798	390 452	15 391 426	17 042 453
Less: Provision for Impairment	182 641	478 448	354 686	13 146 884	14 162 660
<b>Net Balances</b>	<b>563 136</b>	<b>36 350</b>	<b>35 765</b>	<b>2 244 541</b>	<b>2 879 793</b>
<b>Water:</b>					
Gross Balances	3 550 888	2 577 120	2 245 234	63 529 869	71 903 110
Less: Provision for Impairment	1 178 143	2 451 496	2 224 220	62 612 903	68 466 762
<b>Net Balances</b>	<b>2 372 744</b>	<b>125 624</b>	<b>21 014</b>	<b>916 966</b>	<b>3 436 348</b>
<b>Other Receivables:</b>					
Gross Balances	1 265 787	2 306 252	2 251 631	90 843 732	96 667 403
Less: Provision for Impairment	440 616	2 093 063	2 056 692	80 837 767	85 428 137
<b>Net Balances</b>	<b>825 171</b>	<b>213 190</b>	<b>194 939</b>	<b>10 005 966</b>	<b>11 239 266</b>

As at 30 June Receivables of R15 597 708 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	12 448 586	6 885 564	200 101 720	219 435 869
Less: Provision for Impairment	11 753 959	6 569 164	185 515 039	203 838 161
<b>Net Balances</b>	<b>694 627</b>	<b>316 400</b>	<b>14 586 681</b>	<b>15 597 708</b>

**4.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2013</b>				
<u>Current:</u>				
0 - 30 days	11 390 943	1 234 616	6 481 497	-
<u>Past Due:</u>				
31 - 60 Days	7 855 346	839 078	3 989 654	-
61 - 90 Days	5 281 751	925 674	1 096 631	-
+ 90 Days	164 352 901	17 788 268	10 571 184	-
Sub-total	188 880 941	20 787 635	22 138 966	-
Less: Provision for Impairment	179 383 664	16 585 180	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>9 497 277</b>	<b>4 202 455</b>	<b>22 138 966</b>	<b>-</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

			2013 R	2012 R
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2012</b>				
<u>Current:</u>				
0 - 30 days	10 097 951	7 028 511	1 102 430	-
<u>Past Due:</u>				
31 - 60 Days	9 019 668	2 734 290	694 627	-
61 - 90 Days	5 450 805	1 118 359	316 400	-
+ 90 Days	176 286 984	9 228 055	14 586 681	-
Sub-total	200 855 408	20 109 215	16 700 138	-
Less: Provision for Impairment	192 374 206	13 894 407	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>8 481 202</b>	<b>6 214 809</b>	<b>16 700 138</b>	<b>-</b>

	2013 R	2012 R
<b>4.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	206 268 613	165 361 680
Impairment Losses recognised	49 606 317	40 906 932
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(59 906 086)	-
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>195 968 844</b>	<b>206 268 613</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

**4.4 Ageing of impaired Receivables from Exchange Transactions**

<u>Current:</u>		
0 - 30 Days	2 821 377	2 430 451
<u>Past Due:</u>		
31 - 60 Days	11 845 000	11 753 959
61 - 90 Days	6 378 382	6 569 164
+ 90 Days	174 924 085	185 515 039
<b>Total</b>	<b>195 968 844</b>	<b>206 268 613</b>

**4.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012	
	R	R	
5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	51 570 411	35 620 819	15 949 592
Accruals	11 143 881	-	11 143 881
Sundry Deposits	903 835	-	903 835
Sundry Debtors	3 108 815	-	3 108 815
Suspense Accounts	291 100	-	291 100
Total Receivables from Non-exchange Transactions	67 018 042	35 620 819	31 397 223
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	52 296 753	38 168 898	14 127 855
Accruals	11 385 463	-	11 385 463
Sundry Deposits	664 828	-	664 828
Sundry Debtors	4 090 048	-	4 090 048
Suspense Accounts	336 733	-	336 733
Total Receivables from Non-exchange Transactions	68 773 825	38 168 898	30 604 927

**Sundry Deposits** are in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. Included in Sundry Debtors is an amount of R8 886 419 (2012: R8 285 648) in respect of the consumption of metered services not billed as at 30 June.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

**5.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2013**

	Current 0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
<b>Assessment Rates:</b>					
Gross Balances	3 306 344	2 349 073	1 148 265	44 766 730	51 570 411
Less: Provision for Impairment	393 599	2 133 246	939 114	32 154 859	35 620 819
<b>Net Balances</b>	<b>2 912 744</b>	<b>215 827</b>	<b>209 150</b>	<b>12 611 871</b>	<b>15 949 592</b>
<b>Accruals:</b>					
Gross Balances	11 143 881	-	-	-	11 143 881
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>11 143 881</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 143 881</b>
<b>Sundry Deposits:</b>					
Gross Balances	903 835	-	-	-	903 835
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>903 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>903 835</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

				2013 R	2012 R
<b>Sundry Debtors:</b>					
Gross Balances	3 108 815	-	-	-	3 108 815
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>3 108 815</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 108 815</b>

<b>Suspense Accounts:</b>					
Gross Balances	291 100	-	-	-	291 100
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>291 100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>291 100</b>

As at 30 June Receivables of R13 036 848 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

<b>All Receivables:</b>				
Gross Balances	2 349 073	1 148 265	44 766 730	48 264 068
Less: Provision for Impairment	2 133 246	939 114	32 154 859	35 227 219
<b>Net Balances</b>	<b>215 827</b>	<b>209 150</b>	<b>12 611 871</b>	<b>13 036 848</b>

As at 30 June 2012

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

<b>Assessment Rates:</b>					
Gross Balances	3 194 515	2 043 214	1 701 966	45 357 058	52 296 753
Less: Provision for Impairment	450 331	1 832 758	1 436 246	34 449 563	38 168 898
<b>Net Balances</b>	<b>2 744 183</b>	<b>210 457</b>	<b>265 720</b>	<b>10 907 495</b>	<b>14 127 855</b>

<b>Accruals:</b>					
Gross Balances	11 385 463	-	-	-	11 385 463
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>11 385 463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 385 463</b>

<b>Sundry Deposits:</b>					
Gross Balances	664 828	-	-	-	664 828
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>664 828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>664 828</b>

<b>Sundry Debtors:</b>					
Gross Balances	4 090 048	-	-	-	4 090 048
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>4 090 048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 090 048</b>

<b>Suspense Accounts:</b>					
Gross Balances	336 733	-	-	-	336 733
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>336 733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336 733</b>

As at 30 June Receivables of R11 383 671 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

<b>All Receivables:</b>				
Gross Balances	2 043 214	1 701 966	45 357 058	49 102 238
Less: Provision for Impairment	1 832 758	1 436 246	34 449 563	37 718 567
<b>Net Balances</b>	<b>210 457</b>	<b>265 720</b>	<b>10 907 495</b>	<b>11 383 671</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

			2013 R	2012 R
<b>5.2 Summary of Assessment Rates Debtors by Customer Classification</b>				
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2013</b>				
<u>Current:</u>				
0 - 30 days	1 872 862	1 215 583	217 899	-
<u>Past Due:</u>				
31 - 60 Days	1 281 166	852 080	215 827	-
61 - 90 Days	679 648	259 466	209 150	-
+ 90 Days	29 791 211	2 363 648	12 611 871	-
Sub-total	33 624 887	4 690 777	13 254 747	-
Less: Provision for Impairment	31 937 130	3 683 689	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>1 687 758</b>	<b>1 007 088</b>	<b>13 254 747</b>	<b>-</b>
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2012</b>				
<u>Current:</u>				
0 - 30 days	1 794 266	1 198 704	201 545	-
<u>Past Due:</u>				
31 - 60 Days	1 159 487	673 271	210 457	-
61 - 90 Days	1 237 185	199 061	265 720	-
+ 90 Days	31 933 277	2 516 286	10 907 495	-
Sub-total	36 124 215	4 587 322	11 585 216	-
Less: Provision for Impairment	34 539 198	3 629 700	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>1 585 017</b>	<b>957 622</b>	<b>11 585 216</b>	<b>-</b>
			2013 R	2012 R

**5.3 Reconciliation of Provision for Impairment**

Balance at beginning of year	38 168 898	35 228 893
Impairment Losses recognised	3 243 857	2 940 005
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(5 791 936)	-
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>35 620 819</b>	<b>38 168 898</b>

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furtermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>6. VAT RECEIVABLE</b>		
Vat Receivable	<u><b>30 781 288</b></u>	<u><b>6 763 026</b></u>

*VAT Receivable* has been restated to correctly classify amounts receivable in terms of a VAT Audit performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *VAT Receivable* has been restated to correctly classify amounts receivable in terms of a previous VAT Audit performed, portion of the claim now disallowed by SARS. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**7. CASH AND CASH EQUIVALENTS**

Current Investments	449 206 992	499 108 504
Bank Accounts	19 980 684	2 617 573
Cash and Cash Equivalents	24 406	24 406
<b>Total Bank, Cash and Cash Equivalents</b>	<u><b>469 212 083</b></u>	<u><b>501 750 484</b></u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**7.1 Current Investment Deposits**

Call Deposits	14 206 992	14 108 504
Notice Deposits	435 000 000	485 000 000
<b>Total Current Investment Deposits</b>	<u><b>449 206 992</b></u>	<u><b>499 108 504</b></u>

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 4,40 % to 4,50 % (2012: 3,00% to 5,00%) per annum.

**Notice Deposits** are investments with a maturity period of less than 12 months and earn interest rates varying from 5,075 % to 5,68 % (2012: 5,54 % to 5,68 %)per annum.

Deposits attributable to Unspent Conditional Grants	99 305 055	172 966 526
Deposits attributable to Capital Replacement Reserve.	150 686 583	36 315 695
Deposits attributable to Creditors	93 974 069	70 599 578
Deposits attributable to Current Provisions	2 631 557	3 010 153
Deposits attributable to Consumer Deposits	19 790 309	19 661 194
Deposits attributable to Rehabilitation of Landfill Site	5 350 857	4 884 205
Deposits attributable to Long-service Awards	7 594 688	6 764 942
Deposits attributable to Retirement Benefits	46 372 929	42 973 441
Deposits attributable for Eskom Upgrading	-	32 000 000
Deposits attributable to Provision for Impairment	23 500 945	109 932 770
<b>Total Deposits attributable to Commitments of the Municipality</b>	<u><b>449 206 992</b></u>	<u><b>499 108 504</b></u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>7.2 Bank Accounts</b>		
Cash in Bank	19 980 684	2 617 573
<b>Total Bank Accounts</b>	<b>19 980 684</b>	<b>2 617 573</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*Standard Bank - Mokopane Branch, Mokopane - Account Number 031 264 344:*

Cash book balance at beginning of year	2 617 573	31 224 278
Cash book balance at end of year	19 980 684	2 617 573
Bank statement balance at beginning of year	3 979 779	18 666 364
Bank statement balance at end of year	23 381 740	3 979 779

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**7.3 Cash and Cash Equivalents**

Cash Floats and Advances	24 406	24 406
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>24 406</b>	<b>24 406</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**8. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	208 026	149 890
Operating Lease Revenue recorded	767 411	825 099
Operating Lease Revenue effected	(749 873)	(766 964)
<b>Total Operating Lease Receivables</b>	<b>225 564</b>	<b>208 026</b>

*Operating Lease Receivables* have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register, contracts not previously recognised. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

**8.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 81 (2012: 1 to 82) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R531 391 (2012: R550 871).

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**8.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	784 956	749 873
2 to 5 years	1 184 330	1 915 420
More than 5 years	178 920	232 786
<b>Total Operating Lease Arrangements</b>	<b>2 148 206</b>	<b>2 898 079</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R17 538 (2012: decrease of R-58 135) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**9. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Debtors Capitalised Loans	4 919 457	4 881 611
Sale of Stand Loans	291 956	1 455 835
Study Cost Loans	43 380	50 015
<b>Total Current Portion of Long-term Receivables</b>	<b>5 254 793</b>	<b>6 387 461</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**10 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2013**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra-structure	Community	Other	Housing Development Fund	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2012</b>	<b>72 648 327</b>	<b>15 729 794</b>	<b>792 927 971</b>	<b>96 860 854</b>	<b>40 402 343</b>	-	<b>1 018 569 289</b>
Cost	72 648 327	23 638 910	1 059 065 369	139 155 523	79 911 106	-	1 374 419 235
- Completed Assets	72 648 327	23 575 551	998 671 503	128 052 493	78 012 076	-	1 300 959 951
- Under Construction	-	63 359	60 393 865	11 103 029	1 899 030	-	73 459 284
Correction of error (Note 41)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(739 910)	-	(739 910)
Accumulated Depreciation:	-	(7 909 116)	(266 137 398)	(42 294 669)	(38 768 853)	-	(355 110 036)
- Cost	-	(7 909 116)	(266 137 398)	(42 294 669)	(38 768 853)	-	(355 110 036)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	99 747	62 878 413	3 090 807	15 421 172	-	81 490 138
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	243 874 290	6 179 462	-	-	250 053 752
- Cost	-	-	243 874 290	6 179 462	-	-	250 053 752
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(906 842)	(51 093 837)	(4 739 935)	(8 648 983)	-	(65 389 598)
- Based on Cost	-	(906 842)	(51 093 837)	(4 739 935)	(8 648 983)	-	(65 389 598)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(50 319)	-	(50 319)
- Cost	-	-	-	-	(695 358)	-	(695 358)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	645 038	-	645 038
- Based on Cost	-	-	-	-	645 038	-	645 038
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	(1 097)	-	(1 097)
Capital under Construction - Completed	-	-	(19 023 000)	(11 103 029)	(1 450 250)	-	(31 576 280)
Other Movements	-	-	18 745 538	11 103 029	1 450 250	-	31 298 817
- Cost	-	-	18 745 538	11 103 029	1 450 250	-	31 298 817
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2013</b>	<b>72 648 327</b>	<b>14 922 699</b>	<b>1 048 309 374</b>	<b>101 391 187</b>	<b>47 123 114</b>	-	<b>1 284 394 702</b>
Cost	72 648 327	23 738 657	1 365 540 609	148 425 791	94 636 920	-	1 704 990 305
- Completed Assets	72 648 327	23 675 298	1 080 295 453	142 246 330	94 188 141	-	1 413 053 549
- Under Construction	-	63 359	285 245 155	6 179 462	448 779	-	291 936 755
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(741 007)	-	(741 007)
Accumulated Depreciation:	-	(8 815 958)	(317 231 235)	(47 034 604)	(46 772 798)	-	(419 854 595)
- Cost	-	(8 815 958)	(317 231 235)	(47 034 604)	(46 772 798)	-	(419 854 595)
- Revaluation	-	-	-	-	-	-	-

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**10 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2012

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra-structure	Community	Other	Housing Development Fund	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2011</b>	<b>72 648 327</b>	<b>14 135 578</b>	<b>692 097 987</b>	<b>87 626 046</b>	<b>38 245 877</b>	-	<b>904 753 816</b>
Cost	72 648 327	21 245 152	926 487 080	125 740 811	72 357 279	-	1 218 478 649
- Completed Assets	72 648 327	21 207 337	869 513 989	114 594 990	72 005 884	-	1 149 970 527
- Under Construction	-	37 815	56 973 091	11 145 821	351 395	-	68 508 122
Correction of error (Note 41)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(739 910)	-	(739 910)
Accumulated Depreciation:	-	(7 109 573)	(234 389 093)	(38 114 765)	(33 371 492)	-	(312 984 923)
- Cost	-	(7 109 573)	(234 389 093)	(38 114 765)	(33 371 492)	-	(312 984 923)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	2 330 399	72 335 560	8 606 948	9 911 596	-	93 184 503
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	63 359	56 439 031	11 103 029	1 899 030	-	69 504 450
- Cost	-	63 359	56 439 031	11 103 029	1 899 030	-	69 504 450
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	-	(799 542)	(32 943 814)	(4 179 904)	(8 433 513)	-	(46 356 773)
- Based on Cost	-	(799 542)	(32 943 814)	(4 179 904)	(8 433 513)	-	(46 356 773)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	(1 356 203)	-	(1 220 647)	-	(2 576 850)
- Cost	-	-	(2 551 712)	-	(4 256 799)	-	(6 808 511)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	1 195 509	-	3 036 152	-	4 231 661
- Based on Cost	-	-	1 195 509	-	3 036 152	-	4 231 661
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(37 815)	(53 018 257)	(11 145 821)	(351 395)	-	(64 553 288)
Other Movements	-	37 815	59 373 667	4 850 555	351 395	-	64 613 432
- Cost	-	37 815	59 373 667	4 850 555	351 395	-	64 613 432
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2012</b>	<b>72 648 327</b>	<b>15 729 794</b>	<b>792 927 971</b>	<b>96 860 854</b>	<b>40 402 343</b>	-	<b>1 018 569 289</b>
Cost	72 648 327	23 638 910	1 059 065 369	139 155 523	79 911 106	-	1 374 419 235
- Completed Assets	72 648 327	23 575 551	998 671 503	128 052 493	78 012 076	-	1 300 959 951
- Under Construction	-	63 359	60 393 865	11 103 029	1 899 030	-	73 459 284
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(739 910)	-	(739 910)
Accumulated Depreciation:	-	(7 909 116)	(266 137 398)	(42 294 669)	(38 768 853)	-	(355 110 036)
- Cost	-	(7 909 116)	(266 137 398)	(42 294 669)	(38 768 853)	-	(355 110 036)
- Revaluation	-	-	-	-	-	-	-

**10 PROPERTY, PLANT AND EQUIPMENT (Continued)**

*Property, Plant and Equipment* have been restated to correctly disclose the amount for Library Books, previously recognised in error.. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose the amount for Electricity Infrastructure, expenditure previously expensed and not capitalised. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose the amount for Rehabilitation Costs of Landfill Sites, expenditure previously expensed and not capitalised. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment include the transfer of Major Spare Parts to the amount of -R277 462 (2012: R60 144) and Work-in-Progress of R31 576 280 (2012: R64 553 288) completed and transferred to Cost.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>10 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>10.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
<b>10.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal</b>		
Other	50 319	-
<b>Carrying Amount of PPE retired from active use and held for disposal</b>	<b>50 319</b>	<b>-</b>
<b>10.3 Assets pledged as security</b>		
The municipality did not pledge any of its assets as security.		
<b>10.4 Impairment of Property, Plant and Equipment</b>		
Impairment Losses on Property, Plant and Equipment to the amount of R1 097 (2012: R0) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34.		
The amount disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a firearm damaged:		
Other Assets: Plant and Equipment	1 097	-
<b>Total Impairment of Property, Plant and Equipment</b>	<b>1 097</b>	<b>-</b>
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.		
<b>10.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Executive and Council	(175 471.74)	-
Finance and Administration	679 549.48	-
Planning and Development	(4 528.15)	-
Health	373.03	-
Community and Social Services	(130 661.57)	-
Public Safety	106 915.68	-
Sport and Recreation	292 429.69	-
Environmental Protection	4 641.89	-
Waste Management	1 895 196.11	-
Roads and Transport	(2 511 304.60)	-
Water	19 344 873.37	-
Electricity	683 192.68	-
Other	2 864.44	-
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>20 188 070</b>	<b>-</b>
<b>10.6 Land and Buildings carried at Fair Value</b>		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>11 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>1 042 265</b>	<b>1 209 765</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2012</b>	<b>1 209 765</b>	<b>1 209 765</b>
Cost	4 838 916	4 838 916
Work-in-Progress	10 000	10 000
Accumulated Amortisation	(3 639 150)	(3 639 150)
Acquisitions:	150 170	150 170
Purchased	150 170	150 170
Work-in-Progress	-	-
Amortisation:	(317 670)	(317 670)
Purchased	(317 670)	(317 670)
Transfers:	-	-
At Cost	10 000	10 000
Work-in-Progress	(10 000)	(10 000)
At Accumulated Amortisation	-	-
<b>Carrying values at 30 June 2013</b>	<b>1 042 265</b>	<b>1 042 265</b>
Cost	4 999 085	4 999 085
Work-in-Progress	-	-
Accumulated Amortisation	(3 956 820)	(3 956 820)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2011</b>	<b>621 319</b>	<b>621 319</b>
Cost	3 743 238	3 743 238
Work-in-Progress	-	-
Accumulated Amortisation	(3 121 919)	(3 121 919)
Acquisitions:	1 105 678	1 105 678
Purchased	1 095 678	1 095 678
Work-in-Progress	10 000	10 000
Amortisation:	(517 231)	(517 231)
Purchased	(517 231)	(517 231)
Transfers:	-	-
At Cost	-	-
Work-in-Progress	-	-
At Accumulated Amortisation	-	-
<b>Carrying values at 30 June 2012</b>	<b>1 209 765</b>	<b>1 209 765</b>
Cost	4 838 916	4 838 916
Work-in-Progress	10 000	10 000
Accumulated Amortisation	(3 639 150)	(3 639 150)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**11.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

**11.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

**11.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**12 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation

**2 914 611**

**3 006 244**

The movement in Investment Property is reconciled as follows:

**Carrying values at 1 July**

**3 006 244**

**3 097 877**

Cost

4 564 000

4 564 000

Accumulated Depreciation

(1 557 756)

(1 466 123)

Acquisitions during the Year

-

-

Depreciation during the Year

(91 633)

(91 633)

**Carrying values at 30 June**

**2 914 611**

**3 006 244**

Cost

4 564 000

4 564 000

Accumulated Depreciation

(1 649 389)

(1 557 756)

**Estimated Fair Value of Investment Property at 30 June**

**4 605 000**

**5 189 000**

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

531 391

550 871

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**12.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**12.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**13 HERITAGE ASSETS**

At Cost less Accumulated Impairment Losses

**5 736 342**

**5 736 342**

The movement in Heritage Assets is reconciled as follows:

	<b>Cultural Buildings</b>	<b>Historical Sites</b>	<b>National Momuments</b>	<b>Total</b>
<b>Carrying values at 01 July 2012</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
<b>Carrying values at 30 June 2013</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment Losses	-	-	-	-
	<b>Cultural Buildings</b>	<b>Historical Sites</b>	<b>National Momuments</b>	<b>Total</b>
<b>Carrying values at 01 July 2011</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
<b>Carrying values at 30 June 2012</b>	<b>51</b>	<b>5 736 139</b>	<b>152</b>	<b>5 736 342</b>
Cost	51	5 736 139	152	5 736 342
Accumulated Impairment Losses	-	-	-	-

The municipality has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. It is possible that certain Heritage Assets are currently being recognised as Property, Plant and Equipment.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**13.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**13.2 Heritage Assets measured after recognition using the Revaluation Model**

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		2013 R	2012 R
<b>14 LONG-TERM RECEIVABLES</b>			
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2013</b>			
Debtors Capitalised Loans	7 531 444	964 468	6 566 975
Sale of Stand Loans	291 956	-	291 956
Study Cost Loans	43 380	-	43 380
	<u>7 866 780</u>	<u>964 468</u>	<u>6 902 312</u>
Less: Current Portion transferred to Current Receivables:-			5 254 793
Debtors Capitalised Loans			4 919 457
Sale of Stand Loans			291 956
Study Cost Loans			43 380
<b>Total Long-term Receivables</b>			<u><b>1 647 519</b></u>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2012</b>			
Debtors Capitalised Loans	8 360 638	1 189 453	7 171 185
Sale of Stand Loans	1 455 835	-	1 455 835
Study Cost Loans	50 015	-	50 015
	<u>9 866 487</u>	<u>1 189 453</u>	<u>8 677 035</u>
Less: Current Portion transferred to Current Receivables:-			6 387 461
Debtors Capitalised Loans			4 881 611
Sale of Stand Loans			1 455 835
Study Cost Loans			50 015
<b>Total Long-term Receivables</b>			<u><b>2 289 574</b></u>

**DEBTORS CAPITALISED**

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 48 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

**SALE OF STANDS**

Stands are sold on a cash/bank guarantee basis. The outstanding loans are repayable in the year 2011/12.

**STUDY COST LOANS**

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of loans granted before 01 July 2005. Beneficiaries were entitled to Study Cost Loans at an interest rate of 5,00% per annum, repayable over a maximum period of 6 years. The balance of the loans are in respect of third parties and are repayable in the year 2011/12.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**14.1 Ageing of Long-term Receivables**

Current:

0 - 30 days

Past Due:

31 - 60 Days

61 - 90 Days

91 - 120 Days

+ 120 Days

**Total**

-	-
-	-
-	-
-	-
7 866 780	9 866 487
<b>7 866 780</b>	<b>9 866 487</b>

As at 30 June Long-term Receivables of R7 866 780 (2012: R9 866 487) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days

61 - 90 Days

+ 90 Days

+ 120 Days

**Total**

-	-
-	-
-	-
7 866 780	9 866 487
<b>7 866 780</b>	<b>9 866 487</b>

**14.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year

Impairment Losses recognised

Impairment Losses reversed

Amounts written off as uncollectable

Amounts recovered

**Balance at end of year**

1 189 453	1 498 288
-	-
(224 984)	(308 836)
-	-
-	-
<b>964 468</b>	<b>1 189 453</b>

**15 CONSUMER DEPOSITS**

Electricity and Water

**Total Consumer Deposits**

**Guarantees held in lieu of Electricity and Water Deposits**

19 790 309	19 661 194
<b>19 790 309</b>	<b>19 661 194</b>
<b>1 775 596</b>	<b>1 775 596</b>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**16 PROVISIONS**

Performance Bonuses

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)

Current Portion of Non-Current Provisions (See Note 22):

Long-term Service

Rehabilitation of Land-fill Sites

**Total Provisions**

354 626	1 093 029
1 586 831	1 306 656
690 100	610 468
690 100	610 468
-	-
<b>2 631 557</b>	<b>3 010 153</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

The movement in provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	1 093 029	1 670 451
Contributions to provision	(738 403)	(577 422)
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>354 626</b>	<b>1 093 029</b>

**Current Portion of Non-Current Provisions:**

	<b>Long-term Service R</b>	<b>Post-retirement R</b>
<b>30 June 2013</b>		
Balance at beginning of year	610 468	1 306 656
Transfer from non-current	658 335	1 589 755
Expenditure incurred	(578 703)	(1 309 580)
<b>Balance at end of year</b>	<b>690 100</b>	<b>1 586 831</b>

	<b>Long-term Service R</b>	<b>Post-retirement R</b>
<b>30 June 2012</b>		
Balance at beginning of year	566 590	1 271 148
Transfer from non-current	610 468	1 305 625
Expenditure incurred	(566 590)	(1 270 117)
<b>Balance at end of year</b>	<b>610 468</b>	<b>1 306 656</b>

**2013**  
**R**

**2012**  
**R**

**17 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	51 824 226	51 503 692
Retentions	41 849 843	18 795 886
Other Creditors	300 000	300 000
<b>Total Payables</b>	<b>93 974 069</b>	<b>70 599 578</b>

*Payables from Exchange Transactions* have been restated to correctly disclose the amount for VAT Receivable in terms of a VAT Audit performed. Refer to Note 41.4 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 62 (2012: 85) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>18 PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Payments received in Advance	13 567 168	9 717 616
Staff Bonuses	3 848 611	3 706 007
Staff Leave Accrued	16 229 491	15 843 271
Sundry Deposits	475 204	376 517
<b>Total Payables</b>	<b>34 120 474</b>	<b>29 643 412</b>

**Staff Leave** accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

**19 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**19.1 Conditional Grants from Government**

	99 163 928	171 883 724
National Government Grants	94 210 770	166 930 566
Local Government Grants	2 000 000	2 000 000
Other Spheres of Government	2 953 159	2 953 159

**19.2 Other Conditional Receipts**

	141 127	1 082 801
Public Contributions	141 127	1 082 801
<b>Total Conditional Grants and Receipts</b>	<b>99 305 055</b>	<b>172 966 526</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government and Note 26 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**20 OPERATING LEASE LIABILITIES**

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	-	-
Operating Lease expenses recorded	280 061	285 692
Operating Lease payments effected	(280 061)	(285 692)
<b>Total Operating Lease Liabilities</b>	<b>-</b>	<b>-</b>

**20.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**20.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

<b>Other Equipment:</b>	660 312	375 094
Up to 1 year	224 929	225 549
2 to 5 years	435 383	149 545
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>660 312</b>	<b>375 094</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	280 061	285 692
<b>Total Operating Lease Expenses</b>	<b>280 061</b>	<b>285 692</b>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

**21 RETIREMENT BENEFIT LIABILITIES**

**21.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	42 973 441	38 011 209
Contributions to Provision	4 986 319	6 268 888
Balance at end of Year	47 959 760	44 280 097
Transfer to Current Provisions	(1 586 831)	(1 306 656)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>46 372 929</b>	<b>42 973 441</b>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr K Sukdev, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	228	203
In-service Non-members (Employees)	452	472
Continuation Members (Retirees, widowers and orphans)	43	41
<b>Total Members</b>	<b>723</b>	<b>716</b>
The liability in respect of past service has been estimated as follows:		
In-service Members	18 015 808	14 092 240
In-service Non-members	14 348 565	13 682 000
Continuation Members	15 595 387	16 505 857
<b>Total Liability</b>	<b>47 959 760</b>	<b>44 280 097</b>
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Bonitas		
- Hosmed		
- Keyhealth		
- LA Health		
- Samwumed		
The Current-service Cost for the year ending 30 June 2013 is estimated to be R2 177 341, whereas the cost for the ensuing year is estimated to be R2 509 175 (30 June 2012: R1 953 916 and R2 177 341 respectively).		
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	9.21%	8.01%
Health Care Cost Inflation Rate	7.32%	7.04%
Net Effective Discount Rate	1.77%	0.90%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	44 280 097	39 282 357
Current service costs	2 177 341	1 953 916
Interest cost	3 495 712	3 356 453
Benefits paid	(1 309 580)	(1 270 117)
Actuarial losses / (gains)	(683 810)	957 488
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>47 959 760</b>	<b>44 280 097</b>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<b>47 959 760</b>	<b>44 280 097</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	47 959 760	44 280 097
Unfunded Accrued Liability	47 959 760	44 280 097
Unrecognised Actuarial Gains / (Losses)	-	-
<b>Total Benefit Liability</b>	<b>47 959 760</b>	<b>44 280 097</b>
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	2 177 341	1 953 916
Interest cost	3 495 712	3 356 453
Actuarial losses / (gains)	(683 810)	957 488
Adjustment for Short-term Portion from Previous Year	(2 924)	1 031
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 31)</b>	<b>4 986 319</b>	<b>6 268 888</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R	2011 R	2010 R	2009 R
<b>The history of experienced adjustments is as follows:</b>					
	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	47 959 760	44 280 097	39 282 357	31 558 072	30 955 965
<b>Deficit</b>	<b>47 959 760</b>	<b>44 280 097</b>	<b>39 282 357</b>	<b>31 558 072</b>	<b>30 955 965</b>
Experienced adjustments on Plan Liabilities	6 739 754	(1 526 436)	1 194 736	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	2013 R	2012 R
<b>The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	695 648	1 058 332
Effect on the defined benefit obligation	8 503 905	7 706 015
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	(1 202 175)	(839 491)
Effect on the defined benefit obligation	(6 835 126)	(6 222 247)

The municipality expects to make a contribution of R6 856 987 (2012: R5 673 053) to the Defined Benefit Plans during the next financial year.

Refer to Note 50, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 22 NON-CURRENT PROVISIONS

Provision for Long Service Awards	7 594 688	6 764 942
Provision for Rehabilitation of Land-fill Sites	5 350 857	4 884 205
<b>Total Non-current Provisions</b>	<b>12 945 545</b>	<b>11 649 147</b>

**The movement in Non-current Provisions are reconciled as follows:**

	Long-service Awards R	Land-fill Sites R
<b>30 June 2013</b>		
Balance at beginning of year	6 764 942	4 884 205
Contributions to provision	1 519 846	466 652
	8 284 788	5 350 857
Transfer to current provisions	(690 100)	-
<b>Balance at end of year</b>	<b>7 594 688</b>	<b>5 350 857</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
	Long-service Awards R	Land-fill Sites R
<b>30 June 2012</b>		
Balance at beginning of year	5 261 668	4 458 251
Contributions to provision	2 113 742	425 955
	<u>7 375 410</u>	<u>4 884 205</u>
Transfer to current provisions	(610 468)	-
<b>Balance at end of year</b>	<u><b>6 764 942</b></u>	<u><b>4 884 205</b></u>

**22.1 Long Service Awards**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr K Sukdev, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 680 (2012: 674) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R972 461, whereas the cost for the ensuing year is estimated to be R838 325 (30 June 2012: R799 362 and R972 461 respectively).

	2013 R	2012 R
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	7.69%	6.45%
Cost Inflation Rate	6.80%	5.97%
Net Effective Discount Rate	0.84%	0.46%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	7 375 410	5 828 258
Current service costs	972 461	799 362
Interest cost	456 563	431 690
Benefits paid	(578 703)	(566 590)
Actuarial losses / (gains)	59 057	882 690
<b>Present Value of Fund Obligation at the end of the Year</b>	<u><b>8 284 788</b></u>	<u><b>7 375 410</b></u>
Actuarial losses / (gains) unrecognised	-	-
<b>Total Recognised Benefit Liability</b>	<u><b>8 284 788</b></u>	<u><b>7 375 410</b></u>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	8 284 788	7 375 410
Unfunded Accrued Liability	<u>8 284 788</u>	<u>7 375 410</u>
Actuarial gains / (losses) not recognised	-	-
<b>Total Benefit Liability</b>	<u><b>8 284 788</b></u>	<u><b>7 375 410</b></u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	972 461	799 362
Interest cost	456 563	431 690
Actuarial losses / (gains)	59 057	882 690
Adjustment for Short-term Portion from Previous Year	31 765	-

<b>Total Post-retirement Benefit included in Employee Related Costs (Note 31)</b>	<b>1 519 846</b>	<b>2 113 742</b>
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**The history of experienced adjustments is as follows:**

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>	<b>2011</b> <b>R</b>	<b>2010</b> <b>R</b>	<b>2009</b> <b>R</b>
Present Value of Defined Benefit Obligation	8 284 788	7 375 410	5 828 258	4 872 976	4 421 248
<b>Deficit</b>	<b>8 284 788</b>	<b>7 375 410</b>	<b>5 828 258</b>	<b>4 872 976</b>	<b>4 421 248</b>

Experienced adjustments on Plan Liabilities	321 056	379 886	204 219	-	-
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In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
<b>The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:</b>		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost		85 490
Effect on the defined benefit obligation	657 407	509 003
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost		(76 471)
Effect on the defined benefit obligation	(580 549)	(459 957)

The municipality expects to make a contribution of R1 449 417 (2012: R1 428 824) to the defined benefit plans during the next financial year.

## **22.2 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R9 045 827 (2012: R9 045 827) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its two dumping/landfill sites in the periods 2016/17 and 2024/25. Provision has been made for the net present value of this cost.

	<b>Proposed Rehabilitation</b>		
Mokopane Landfill	2016/2017	6 463 583	6 463 583
Rebone Landfill	2024/2025	2 582 244	2 582 244
		<b>9 045 827</b>	<b>9 045 827</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>23 ACCUMULATED SURPLUS</b>		
<b>The Accumulated Surplus consists of the following Internal Funds and Reserves:</b>		
Capital Replacement Reserve (CRR)	150 686 583	36 315 695
Capitalisation Reserve	76 780 709	82 591 527
Donations and Public Contributions Reserve	7 008 486	7 492 399
Government Grants Reserve	984 578 739	697 477 835
Accumulated Surplus / (Deficit) due to the results of Operations	349 105 461	442 650 695
<b>Total Accumulated Surplus</b>	<b>1 568 159 979</b>	<b>1 266 528 151</b>

*Accumulated Surplus* has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 41.1 "Correction of Error" for details of the restatements.

- Recognition of VAT Receivable for VAT Audit performed - Notes 41.2, 41.3 and 41.4
- Recognition of VAT Claim Disallowed - Notes 41.3 and 41.4
- Recognition of Operating Lease Receivables - Notes 41.2 and 41.4
- Recognition of Library Books duplicated - Notes 41.2 and 41.4
- Recognition of Electricity Infrastructure - Notes 41.3 and 41.4
- Reclassification of Assets for Landfill Sites - Notes 41.3 and 41.4
- Reclassification of Provision for Landfill Sites - Notes 41.3 and 41.4

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**24 PROPERTY RATES**

	Property Valuations		Actual Levies	
	July 2013 R000's	July 2012 R000's		
Commercial	2 075 044	2 075 044	16 523 861	17 979 967
Industrial	1 524 167	1 524 167	5 908 586	3 878 072
Municipal	51 256	51 256	-	-
Residential	5 919 853	5 919 853	15 102 811	14 249 399
State	965 717	965 717	1 049 205	1 143 258
Consent Use	25 848	25 848	235 179	214 130
Undeveloped	178 328	178 328	1 636 928	1 330 482
<b>Total Property Rates</b>	<b>10 740 213</b>	<b>10 740 213</b>	<b>40 456 571</b>	<b>38 795 308</b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,9469 c/R (2011/12: 0,8933 c/R)

Business Properties: 1,8937 c/R (2011/12: 1,7865 c/R)

Agricultural Properties: 0,2367 c/R (2011/12: 0,2233 c/R)

A rebate of 40,00% (2011/12: 40,00%) was allowed on residential properties whilst a discount of 30,00% (2011/12: 30,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

**25 GOVERNMENT GRANTS AND SUBSIDIES**

National Equitable Share	228 085 000	210 303 151
Other Subsidies	7 045 332	5 761 897
<b>Operational Grants</b>	<b>235 130 332</b>	<b>216 065 048</b>
<b>Conditional Grants</b>	<b>339 034 796</b>	<b>169 003 268</b>
National: Equitable Share	17 670 894	15 625 556
National: EPWP	2 659 342	-
National: FMG	1 500 000	1 250 000
National: MIG	127 027 189	71 648 223
National: MSIG	800 000	790 000
National: DWA	165 050 249	38 768 680
National: Energy	1 594 874	4 877 914
National: National Treasury	22 732 248	34 309 551
Provincial: Office of The Premier	-	1 411 184
Other Government: National Lottery Fund	-	322 159
<b>Total Government Grants and Subsidies</b>	<b>574 165 128</b>	<b>385 068 316</b>

*Government Grants and Subsidies* have been restated to correctly disclose the revenue for library books donated from Provincial Public Library Services, previously recognised in error. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Furthermore, *Government Grants and Subsidies* have been restated to correctly disclose the revenue for library books donated from Public, previously recognised from Government. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

**Operational Grants:**

<b>25.1 National: Equitable Share</b>	<b>228 085 000</b>	<b>210 303 151</b>
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2012: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

**Conditional Grants:**

**25.2 National: Equitable Share**

Balance unspent at beginning of year	5 113 941	3 982 831
Current year receipts	21 060 000	16 756 666
Conditions met - transferred to Revenue: Operating Expenses	-	(1 917 468)
Conditions met - transferred to Revenue: Capital Expenses	(17 670 894)	(13 708 088)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<b>8 503 046</b>	<b>5 113 941</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>25.3 National: EPWP Grant</b>		
Balance unspent at beginning of year	1 038 000	-
Current year receipts	1 755 000	1 038 000
Conditions met - transferred to Revenue: Operating Expenses	(947 380)	-
Conditions met - transferred to Revenue: Capital Expenses	(1 711 963)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><b>133 658</b></u>	<u><b>1 038 000</b></u>

The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects. No funds have been withheld.

**25.4 National: FMG Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 250 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><b>-</b></u>	<u><b>-</b></u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**25.5 National: MIG Funds**

Balance unspent at beginning of year	51 931 428	16 880 651
Current year receipts	137 346 000	113 222 000
Conditions met - transferred to Revenue: Operating Expenses	(6 978 855)	(3 563 067)
Conditions met - transferred to Revenue: Capital Expenses	(120 048 334)	(68 085 156)
Other Adjustments/Refunds	-	(6 523 000)
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><b>62 250 239</b></u>	<u><b>51 931 428</b></u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R0 (2012: R6 523 000) has been withheld.

**25.6 National: MSIG Funds**

Balance unspent at beginning of year	-	-
Current year receipts	800 000	790 000
Conditions met - transferred to Revenue: Operating Expenses	(800 000)	(790 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><b>-</b></u>	<u><b>-</b></u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**25.7 National: Department Water Affairs (DWA)**

Balance unspent at beginning of year	88 928 868	36 449 736
Current year receipts	103 382 000	91 247 811
Conditions met - transferred to Revenue: Operating Expenses	(13 300 419)	(11 737 763)
Conditions met - transferred to Revenue: Capital Expenses	(151 749 830)	(27 030 917)
Other Adjustments/Refunds	(18 454 000)	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><b>8 806 619</b></u>	<u><b>88 928 868</b></u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure, the Olifants River Water Resource project and the payment of salaries of staff transferred from DWA. An amount of R18 454 000 (2012: R0) has been withheld.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>25.8 National: Department Energy</b>		
Balance unspent at beginning of year	898 953	52 216
Current year receipts	8 300 000	6 000 000
Conditions met - transferred to Revenue: Operating Expenses	(255 795)	(4 877 914)
Conditions met - transferred to Revenue: Capital Expenses	(1 339 079)	-
Other Adjustments/Refunds	-	(275 349)
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><u>7 604 079</u></u>	<u><u>898 953</u></u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. An amount of R0 (2012: R275 349) has been withheld.

**25.9 National: National Treasury (Neighbourhood Development)**

Balance unspent at beginning of year	19 019 377	25 328 928
Current year receipts	15 000 000	28 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	(0)
Conditions met - transferred to Revenue: Capital Expenses	(22 732 248)	(34 309 551)
Other Adjustments/Refunds	(4 374 000)	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><u>6 913 129</u></u>	<u><u>19 019 377</u></u>

Expenses were incurred to promote rural development. An amount of R4 374 000 (2012: R0) has been

**25.10 Provincial: Office of the Premier**

Balance unspent at beginning of year	(0)	1 411 184
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1)
Conditions met - transferred to Revenue: Capital Expenses	-	(1 411 184)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><u>(0)</u></u>	<u><u>(0)</u></u>

This grant was allocated to assist the municipality to set up a Call Centre. No funds have been withheld.

**25.11 Local Government: Waterberg District Municipality**

Balance unspent at beginning of year	2 000 000	-
Current year receipts	-	2 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><u>2 000 000</u></u>	<u><u>2 000 000</u></u>

This grant was allocated to the municipality as a contribution towards electricity distribution in the rural areas. No funds have been withheld.

**25.12 Other Government: National Lottery Fund**

Balance unspent at beginning of year	311 265	633 424
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(322 159)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u><u>311 265</u></u>	<u><u>311 265</u></u>

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>25.13 Other Government: National Roads Agency</b>		
Balance unspent at beginning of year	2 641 893	2 641 893
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>2 641 893</u>	<u>2 641 893</u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

**25.14 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

**26 PUBLIC CONTRIBUTIONS AND DONATIONS**

Conditional Contributions:	3 273 988	10 917 199
Unconditional Contributions	-	1 900 000
Other Donations	2 111 327	2 401 967
<b>Total Public Contributions and Donations</b>	<u>5 385 315</u>	<u>15 219 166</u>

*Public Contributions and Donations* have been restated to correctly disclose the revenue for library books donated from Public, previously recognised from Government. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

**Reconciliation of Conditional Public Contributions and Donations:**

**26.1 Contributions from PPL Mine**

Balance unspent at beginning of year	1 082 801	-
Current year receipts	2 332 314	12 000 000
Conditions met - transferred to Revenue: Operating Expenses	(3 273 988)	(10 917 199)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>141 127</u>	<u>1 082 801</u>

The municipality received funds from PPL Mine for the construction of VIP Toilets. The donation was utilised for this purpose. No funds have been withheld.

**27 SERVICE CHARGES**

Sale of Electricity	164 774 122	151 320 382
Sale of Water	49 806 136	43 379 296
Refuse Removal	10 878 840	10 149 617
Sewerage and Sanitation Charges	11 998 238	11 463 897
<b>Total Service Charges</b>	<u>237 457 336</u>	<u>216 313 192</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>28 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Other Facilities	1 006 285	1 033 617
<b>Total Rental of Facilities and Equipment</b>	<b>1 006 285</b>	<b>1 033 617</b>

*Rental of Facilities and Equipment* has been restated to correctly disclose the revenue for Rentals in terms of a VAT Audit performed. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Furthermore, *Rental of Facilities and Equipment* has been restated to correctly disclose the revenue for Rentals for new lease agreements entered into, previously not accrued for. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

**29 INTEREST EARNED**

**External Investments:**

Bank Account	385 111	367 141
Investments	28 514 327	24 492 119
	<b>28 899 438</b>	<b>24 859 260</b>

**Outstanding Debtors:**

Long-term Debtors	90 086	192 123
Outstanding Billing Debtors	26 254 838	22 882 066
	<b>26 344 924</b>	<b>23 074 189</b>

**Total Interest Earned**

<b>55 244 362</b>	<b>47 933 449</b>
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Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	1 560 602	1 686 702
Held-to-Maturity Investments	27 338 836	23 172 558
Loans and Receivables	26 344 924	23 074 189
	<b>55 244 362</b>	<b>47 933 449</b>

**30 OTHER REVENUE**

Building Plan Fees	418 305	467 328
Cemetery Fees	279 284	159 273
Insurance Claims	3 482 952	2 562 386
Lease Advertising Signs	-	5 001
Legal Cost Recovered	696 127	81 617
Non-Attendance of Meetings	72 953	87 830
Prints	20 684	21 275
Retentions Forfeited	724 930	585 514
Telephone Cost Recovered	139 438	119 199
Tender Documents	724 481	569 577
Town Planning Fees	105 150	160 505
Unclaimed Moneys	-	3 659 658
Sundry Income	1 201 871	704 979
<b>Total Other Revenue</b>	<b>7 866 174</b>	<b>9 184 141</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>31 EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	98 967 983	90 604 536
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	26 215 002	24 380 414
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 331 495	14 487 169
Housing Benefits and Allowances	243 462	266 724
Overtime Payments	19 873 952	17 066 430
Defined Benefit Plan Expense:	6 477 324	8 381 599
Current Service Cost	3 149 802	2 753 278
Interest Cost	3 952 275	3 788 143
Net Actuarial (gains)/losses recognised	(624 753)	1 840 178
<b>Total Employee Related Costs</b>	<b>167 109 217</b>	<b>155 186 871</b>

No advances were made to employees. Loans to employees are set out in Note 14.

**Remuneration of Section 57 Employees:**

***Remuneration of the Municipal Manager***

Annual Remuneration	920 963	882 570
Car and Other Allowances	256 580	207 870
Company Contributions to UIF, Medical and Pension Funds	268 963	247 087
<b>Total</b>	<b>1 446 505</b>	<b>1 337 527</b>

***Remuneration of the Chief Financial Officer***

Annual Remuneration	811 813	778 407
Car and Other Allowances	224 651	184 867
Company Contributions to UIF, Medical and Pension Funds	195 268	172 796
<b>Total</b>	<b>1 231 731</b>	<b>1 136 070</b>

***Remuneration of the Manager: Community Services***

Annual Remuneration	611 670	665 344
Car and Other Allowances	277 929	203 531
Company Contributions to UIF, Medical and Pension Funds	109 456	199 829
<b>Total</b>	<b>999 055</b>	<b>1 068 704</b>

The post was vacant for the period 01 December 2012 to 30 April 2013, for which period an Acting Allowance was paid for.

***Remuneration of the Manager: Corporate Services***

Annual Remuneration	247 074	480 532
Car and Other Allowances	4 110	121 243
Company Contributions to UIF, Medical and Pension Funds	-	142 857
<b>Total</b>	<b>251 184</b>	<b>744 633</b>

The manager was finally dismissed on 16 March 2012. An Acting Allowance was paid for the for the period 17 March 2012 to 30 June 2013.

***Remuneration of the Manager: Developmental Services***

Annual Remuneration	447 687	650 081
Car and Other Allowances	35 708	324 839
Company Contributions to UIF, Medical and Pension Funds	45 965	175 226
<b>Total</b>	<b>529 360</b>	<b>1 150 146</b>

The managers' contract expired on 31 May 2012. An Acting Allowance was paid for the period 01 June 2012 to 31 March 2013.

***Remuneration of the Manager: Technical Services***

Annual Remuneration	348 603	669 256
Car and Other Allowances	128 778	198 857
Company Contributions to UIF, Medical and Pension Funds	29 530	176 777
<b>Total</b>	<b>506 911</b>	<b>1 044 890</b>

The post was vacated on 31 August 2012. An Acting Allowance was paid for the period 1 September 2012 to 30 June 2013.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>Remuneration of the Manager: Traffic and Emergency Services</b>		
Annual Remuneration	424 567	595 430
Car and Other Allowances	68 132	270 968
Company Contributions to UIF, Medical and Pension Funds	-	175 403
<b>Total</b>	<b>492 700</b>	<b>1 041 801</b>

The post was vacated on 31 May 2012. An Acting Allowance was paid for the period 1 June 2012 to 30 June 2013.

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

**Staff Leave Benefits:-**

Municipal Manager	240 196	151 457
Chief Financial Officer	130 850	111 405
Manager: Community Services	17 600	172 628
Manager: Developmental Services	26 268	-
Manager: Technical Services	-	102 908
<b>Total</b>	<b>414 914</b>	<b>538 398</b>

**32 REMUNERATION OF COUNCILLORS**

Mayor	437 144	378 957
Speaker	335 941	349 524
Executive Committee Members	875 573	747 684
Councillors	8 445 235	8 132 967
Company Contributions to UIF, Medical and Pension Funds	1 437 999	1 213 192
Other Allowances (Cellular Phones, Housing, Transport, etc)	4 699 142	4 285 389
<b>Total Councillors' Remuneration</b>	<b>16 231 033</b>	<b>15 107 713</b>

**Remuneration of Councillors:**

***In-kind Benefits***

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

Security Services were rendered at the houses of the Mayor, Speaker and Chief Whip at the expense of the municipality.

**33 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	65 389 598	46 356 773
Amortisation: Intangible Assets	317 670	517 231
Depreciation: Investment Property	91 633	91 633
<b>Total Depreciation and Amortisation</b>	<b>65 798 900</b>	<b>46 965 637</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>34 IMPAIRMENT LOSSES</b>		
<b>34.1 Impairment Losses on Fixed Assets</b>		
<b>Impairment Losses Recognised:</b>	1 097	-
Property, Plant and Equipment	1 097	-
Intangible Assets	-	-
<b>Impairment Losses Reversed:</b>	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	<b>1 097</b>	<b>-</b>
<b>34.2 Impairment Losses on Financial Assets</b>		
<b>Impairment Losses Recognised:</b>	52 850 174	43 846 938
Long-term Receivables	-	-
Receivables from Exchange Transactions	49 606 317	40 906 932
Receivables from Non-exchange Transactions	3 243 857	2 940 005
<b>Impairment Losses Reversed:</b>	(224 984)	(308 836)
Long-term Receivables	(224 984)	(308 836)
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	<b>52 625 190</b>	<b>43 538 102</b>
<b>Total Impairment Losses</b>	<b>52 626 287</b>	<b>43 538 102</b>
<b>35 FINANCE COSTS</b>		
Creditors Overdue	154 601	16 293
Landfill Provision	466 652	425 955
<b>Total Interest Paid on External Borrowings</b>	<b>621 252</b>	<b>442 247</b>
<b>36 BULK PURCHASES</b>		
Electricity	120 584 492	105 612 315
Water	18 588 302	17 334 467
<b>Total Bulk Purchases</b>	<b>139 172 794</b>	<b>122 946 781</b>
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".		
<b>37 CONTRACTED SERVICES</b>		
Internal Audit	6 679	93 516
Professional Fees	6 153 313	2 926 448
Security Services	11 963 816	7 863 460
Valuation Services	2 550 594	67 572
Water Purification	76 478	65 565
Other Contracted Services	1 216 543	2 253 105
<b>Total Contracted Services</b>	<b>21 967 422</b>	<b>13 269 665</b>

*Contracted Services* have been restated to correctly disclose the expenditure for Contracted Services in terms of a VAT Audit performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>38 GRANTS AND SUBSIDIES PAID</b>		
Community Projects	823 043	94 772
Free Basic Services	20 341 572	19 242 450
Mayoral Discretionary Expenditure	1 072 163	1 166 289
Project Expenditure	7 652 699	12 549 408
Sport Events	526 390	499 787
Women's day	13 000	116 630
Other Grants and Subsidies Paid	-	79 150
<b>Total Grants and Subsidies</b>	<b>30 428 867</b>	<b>33 748 486</b>

*Grants and Subsidies Paid* have been restated to correctly disclose the expenditure for Grants and Subsidies Paid in terms of a VAT Audit performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

Furthermore, *Grants and Subsidies Paid* have been restated to correctly disclose the expenditure for Grants and Subsidies Paid, expenditure previously expensed and not capitalised. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

**Community Projects** are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

**Free Basic Services** are in respect of assistance to and providing basic service levels to indigent households.

The **Mayor** makes grants available on own discretion.

**Project Expenditure** is in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

**Sport Events** are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

The **Women's Day** is paid annually in the municipality's aim to further local economic development of all women in the communities.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>39 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	2 743 667	2 398 595
Audit Fees	1 969 850	1 832 466
Bank Charges	999 427	828 466
Branding of the Municipality	18 570	163 548
Bursaries	385 214	269 505
Chemicals and Poison	231 279	213 470
Cleaning Material	130 520	140 938
Communication and Public Participation	586 477	122 301
Connection Fees	1 686 238	844 284
Connections and Disconnections	159 436	102 321
Disaster Expenditure	403 291	173 025
Electricity	4 828 650	3 065 318
Entertainment	212 382	163 708
Expenditure incurred from EPWP Grant	947 380	-
Expenditure incurred from Finance Management Grant	-	46 693
Hiring of Equipment	874 809	361 812
IDP Review	497 805	591 087
Insurance	4 876 686	2 828 484
Lease Charges	239 938	169 971
Legal Costs	6 865 300	1 989 243
Levies: SALGA	1 459 504	1 190 436
Loss Control	164 598	68 647
Materials and Stocks	300 929	262 980
Mayoral Special Programmes	387 310	330 953
Medical Examinations	313 330	289 768
Postage and Telegrams	451 466	296 922
Pound Fees	100 223	95 088
Refuse Removal	138 724	202 445
Sanitation and Sewerage	107 504	89 827
Stock Shortages/Surpluses	22 676	(68 573)
Telephone Cost	1 239 177	1 142 176
Training Costs	312 157	697 678
Transport Costs	17 918 052	12 649 796
Travelling and Subsistence	1 916 677	1 869 652
Uniforms and Protective Clothing	1 212 828	746 494
Urban Greening Programme	-	322 159
Ward Committee Management	5 378 417	1 154 580
Waste Management	234 779	168 738
Water	406 165	417 743
Water Levy	330 995	297 028
Website Hosting	50 132	59 066
Other General Expenses	1 673 421	2 648 942
Expenditure Recharged	(15 667 594)	(13 399 649)
<b>Total General Expenses</b>	<b>47 108 391</b>	<b>27 838 135</b>

*General Expenses* have been restated to correctly disclose the expenditure for General Expenses in terms of a VAT Audit performed. Refer to Note 41.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>39.1 Material Losses</b>	<b>24 079 359</b>	<b>18 767 264</b>
Burglaries	15 000	-
Lightning Damages	239 500	121 999
Theft	392 037	21 223
Third Party Claims	18 000	-
Vehicle Damages	38 580	-
Other Losses	10 000	11 097
Distribution Losses:		
Electricity Losses	14 212 928	11 398 552
Water Losses	9 153 313	7 214 393

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 47.9).

No other extra-ordinary expenses were incurred.

#### **40 CHANGE IN ACCOUNTING POLICY**

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

##### **40.1 GRAP 21 - Impairment of Non-cash-generating Assets**

The Accounting Standard for *Impairment of Non-cash-generating Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 21.

The municipality has developed Accounting Policies to fully comply with GRAP 21 (*Impairment of Non-cash-generating Assets*). Previously the municipality used the principles set out in IPSAS 21 to account for impairment of non-cash-generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

##### **40.2 GRAP 23 - Revenue from Non-exchange Transactions**

The Accounting Standard for *Revenue from Non-exchange Transactions* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 23.

The municipality has developed Accounting Policies to fully comply with GRAP 23 (*Revenue from Non-exchange Transactions*). Previously the municipality used the principles set out in GAMAP 9 to account for revenue from non-exchange transactions. GRAP 23 is applied prospectively and there is no need for restatement of prior year figures.

##### **40.3 GRAP 24 - Presentation of Budget Information in the Financial Statements**

The Accounting Standard for *Presentation of Budget Information in the Financial Statements* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 24.

The municipality has developed Accounting Policies to fully comply with GRAP 24 (*Presentation of Budget Information in the Financial Statements*). Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Budgeted Financial Performance by Standard Classification
- Appendix E2: Reconciliation of Budgeted Financial Performance by Municipal Vote
- Appendix E3: Reconciliation of Budgeted Financial Performance
- Appendix E4: Reconciliation of Budgeted Capital Expenditure
- Appendix E5: Reconciliation of Budgeted Cash Flows

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**                      **2012**  
**R**                              **R**

**40.4 GRAP 26 - Impairment of Cash-generating Assets**

The Accounting Standard for *Impairment of Cash-generating Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 26.

The municipality has developed Accounting Policies to fully comply with GRAP 26 (*Impairment of Cash-generating Assets*). Previously the municipality used the principles set out in IAS 36 to account for impairment of cash-generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IAS 36 are similar.

**40.5 GRAP 103 - Heritage Assets**

The Accounting Standard for *Heritage Assets* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 103.

The municipality has previously developed Accounting Policies to fully comply with GRAP 103 (*Heritage Assets*) and Heritage Assets have accordingly been recognised retrospectively in the Annual Financial Statements.

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

**40.6 GRAP 104 - Financial Instruments**

The Accounting Standard for *Financial Instruments* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2013 in terms of GRAP 104.

The municipality has previously developed Accounting Policies to fully comply with GRAP 104 (*Financial Instruments*) and Financial Assets and Liabilities have accordingly been reclassified in the Annual Financial Statements.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2012 and the Accumulated Surplus of prior years was not affected either.

**41 CORRECTION OF ERROR**

Corrections were made during the previous financial years. Details of the corrections are described below:

**41.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

**The effect of the changes are as follows:**

		<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2011</b>		<b>1 052 110 725</b>
Correction of Error:-		
Reclassify Operating Lease Receivables - Note 41.4	93 013	
Reclassify Landfill Site Assets - Note 41.4	4 458 251	
Reclassify Provision for Landfill Sites - Note 41.4	<u>(1 825 022)</u>	2 726 242
<b>Restated Balances as at 30 June 2011</b>		<b>1 054 836 968</b>
Transactions incurred for the Year 2011/12		207 927 714
Correction of Error:-		
Reclassify VAT Receivable, Revenue and Expenditure - Notes 41.2, 41.3 and 41.4	213 293	
Reclassify VAT Receivable and Expenditure - Notes 41.3 and 41.4	(955 326)	
Reclassify Operating Lease Receivables and Revenue - Notes 41.2 and 41.4	3 773	
Reclassify Property, Plant & Equipment and Revenue - Notes 41.2 and 41.4	(302 682)	
Reclassify Property, Plant & Equipment and Expenditure - Notes 41.3 and 41.4	4 877 914	
Reclassify Property, Plant & Equipment and Expenditure - Notes 41.3 and 41.4	(674 494)	
Reclassify Provision for Landfill Sites and Expenditure - Notes 41.3 and 41.4	<u>600 991</u>	3 763 469
<b>Restated Balances as at 30 June 2012</b>		<b>1 266 528 151</b>

**MOGALAKWENA MUNICIPALITY**  
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**2013**  
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**R**

**41.2 Reclassification of Revenue**

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2011/12 Revenue</b>	<b>Current Year 2011/12 Revenue</b>	<b>Restated Amount</b>
Property Rates	38 795 308	38 795 308	-
Fines	1 145 537	1 145 537	-
Licences and Permits	67 550	67 550	-
Income for Agency Services	8 945 566	8 945 566	-
Government Grants and Subsidies Received	385 818 052	385 068 316	749 736
Public Contributions and Donations	14 772 113	15 219 166	(447 053)
Service Charges	216 313 192	216 313 192	-
Rental of Facilities and Equipment	1 029 828	1 033 617	(3 789)
Interest Earned - External Investments	24 859 260	24 859 260	-
Interest Earned - Outstanding Debtors	23 074 189	23 074 189	-
Other Income	9 184 141	9 184 141	-
Gains on Disposal of Property, Plant and Equipment	827 142	827 142	-
Profit on Sale of Land	4 532 476	4 532 476	-
	<b>729 364 355</b>	<b>729 065 461</b>	<b>298 894</b>

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

**Government Grants and Subsidies Received:**

The prior year amounts for *Government Grants & Subsidies Received* and Property, Plant & Equipment have been restated to correctly disclose the revenue for library books donated from Provincial Public Library Services, previously recognised in error.

Furthermore, the prior year amounts for *Government Grants & Subsidies Received* and Public Contributions & Donations have been restated to correctly disclose the revenue for library books donated from Public, previously recognised from Government.

**Public Contributions and Donations:**

The prior year amounts for *Public Contributions & Donations* and Government Grants & Subsidies Received have been restated to correctly disclose the revenue for library books donated from Public, previously recognised from Government.

**Rental of Facilities and Equipment:**

The prior year amounts for *Rental of Facilities & Equipment* and VAT Receivable have been restated to correctly disclose the revenue for Rentals in terms of a VAT Audit performed.

Furthermore, the prior year amounts for *Rental of Facilities & Equipment* and Operating Lease Receivables have been restated to correctly disclose the revenue for Rentals for new lease agreements entered into, previously not accrued for.

	<b>Government Grants</b>	<b>Public Donations</b>	<b>Rental of Facilities</b>
<b>Balance previously reported</b>	<b>385 818 052</b>	<b>14 772 113</b>	<b>1 029 828</b>
Library Books: Acquisition Duplicated	(302 682)		
Library Books: Adjust Funding	(447 053)	447 053	
Adjustment for VAT Audit			16
Adjustment for Operating Lease Receivables			3 773
<b>Restated Balance now reported</b>	<b>385 068 316</b>	<b>15 219 166</b>	<b>1 033 617</b>

**MOGALAKWENA MUNICIPALITY**  
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**2013**  
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**41.3 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

**The effect of the Correction of Error is as follows:**

	<b>Prior Year 2011/12 Expenditure</b>	<b>Current Year 2011/12 Expenditure</b>	<b>Restated Amount</b>
Employee Related Costs	155 186 871	155 186 871	-
Remuneration of Councillors	15 107 713	15 107 713	-
Collection Costs	118 575	118 480	95
Depreciation and Amortisation	46 291 144	46 965 637	(674 494)
Impairment Losses	43 538 102	43 538 102	-
Repairs and Maintenance	56 546 309	56 412 971	133 338
Finance Costs	16 293	442 247	(425 955)
Bulk Purchases	122 946 781	122 946 781	-
Contracted Services	13 292 516	13 269 665	22 851
Grants and Subsidies Paid	38 627 426	33 748 486	4 878 940
General Expenses	27 965 722	27 838 135	127 587
Loss on Disposal of Property, Plant and Equipment	1 799 189	1 799 189	-
Surplus / (Deficit) for the Year	207 927 714	211 691 184	(3 763 469)
	<b>729 364 355</b>	<b>729 065 461</b>	<b>298 894</b>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

**Collection Costs:**

The prior year amounts for *Collection Costs* and VAT Receivable have been restated to correctly disclose the expenditure for Collection Costs in terms of a VAT Audit performed.

**Depreciation and Amortisation:**

The prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for Landfill Sites, previously not accounted for.

**Repairs and Maintenance:**

The prior year amounts for *Repairs & Maintenance* and VAT Receivable have been restated to correctly disclose the expenditure for Repairs and Maintenance in terms of a VAT Audit performed.

Furthermore, the prior year amounts for *Repairs & Maintenance* and VAT Receivable have been restated to correctly disclose the expenditure for Repairs and Maintenance in terms of a previous VAT Audit performed, portion of the claim now disallowed by SARS.

**Finance Costs:**

The prior year amounts for *Finance Costs* and Non-current Provisions have been restated to correctly disclose the expenditure for the unwinding costs of the Provision for Landfill Sites, previously incorrectly expensed against Repairs & Maintenance.

**Contracted Services:**

The prior year amounts for *Contracted Services* and VAT Receivable have been restated to correctly disclose the expenditure for Contracted Services in terms of a VAT Audit performed.

**Grants and Subsidies Paid:**

The prior year amounts for *Grants & Subsidies Paid* and VAT Receivable have been restated to correctly disclose the expenditure for Grants and Subsidies Paid in terms of a VAT Audit performed.

Furthermore, the prior year amounts for *Grants & Subsidies Paid* and Property, Plant & Equipment have been restated to correctly disclose the expenditure for Grants and Subsidies Paid, expenditure previously expensed and not capitalised.

**General Expenses:**

The prior year amounts for *General Expenses* and VAT Receivable have been restated to correctly disclose the expenditure for General Expenses in terms of a VAT Audit performed.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

			2013 R	2012 R
	Collection Costs	Depreciation & Amortisation	Repairs & Maintenance	Finance Costs
<b>Balance previously reported</b>	<b>118 575</b>	<b>46 291 144</b>	<b>56 546 309</b>	<b>16 293</b>
Adjustment for VAT Audit	(95)		(61 718)	
Adjustment for depreciation of Landfill Sites Assets		674 494		
Adjustment for VAT Claim Disallowed			955 326	
Adjustment for Landfill Sites Rehabilitation Provision			(1 026 946)	425 955
<b>Restated Balance now reported</b>	<b>118 480</b>	<b>46 965 637</b>	<b>56 412 971</b>	<b>442 247</b>
		<b>Contracted Services</b>	<b>Grants &amp; Subsidies Paid</b>	<b>General Expenses</b>
<b>Balance previously reported</b>		<b>13 292 516</b>	<b>38 627 426</b>	<b>27 965 722</b>
Adjustment for VAT Audit		(22 851)	(1 026)	(127 587)
Adjustment for Electricity Infrastructure			(4 877 914)	
<b>Restated Balance now reported</b>		<b>13 269 665</b>	<b>33 748 486</b>	<b>27 838 135</b>

**41.4 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

**The effect of the Correction of Error is as follows:**

	Prior Year 2011/12 Balance	Current Year 2011/12 Balance	Restated Amount
<b>Current Assets</b>			
Inventories	9 110 318	9 110 318	-
Receivables from Exchange Transactions	31 396 148	31 396 148	(0)
Receivables from Non-exchange Transactions	30 604 927	30 604 927	-
VAT Receivable	7 495 337	6 763 026	732 311
Cash and Cash Equivalents	501 750 484	501 750 484	-
Operating Lease Receivables	111 239	208 026	(96 786)
Current Portion of Long-term Receivables	6 387 461	6 387 461	-
<b>Non-Current Assets</b>			
Property, Plant and Equipment	1 010 210 300	1 018 569 289	(8 358 989)
Intangible Assets	1 209 765	1 209 765	-
Investment Property	3 006 244	3 006 244	-
Heritage Assets	5 736 342	5 736 342	-
Long-term Receivables	2 289 574	2 289 574	-
<b>Current Liabilities</b>			
Consumer Deposits	(19 661 194)	(19 661 194)	-
Provisions	(3 010 153)	(3 010 153)	-
Payables from Exchange Transactions	(70 589 856)	(70 599 578)	9 722
Payables from Non-exchange Transactions	(29 643 412)	(29 643 412)	-
Unspent Conditional Grants and Receipts	(172 966 526)	(172 966 526)	-
<b>Non-Current Liabilities</b>			
Retirement Benefit Liabilities	(42 973 441)	(42 973 441)	-
Non-current Provisions	(10 425 117)	(11 649 147)	1 224 030
<b>Net Assets</b>			
Accumulated Surplus / (Deficit)	(1 260 038 440)	(1 266 528 151)	6 489 712
	-	-	(0)

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

**VAT Receivable:**

The **prior year amounts** for *VAT Receivable*, Payables from Exchange Transactions, Revenue and Expenditure have been restated to correctly disclose the amount for VAT Receivable in terms of a VAT Audit performed.

Furthermore, the **prior year amounts** for *VAT Receivable* and Repairs & Maintenance have been restated to correctly disclose the amount for VAT Receivable in terms of a previous VAT Audit performed, portion of the claim now disallowed by SARS.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
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**Operating Lease Receivables:**

The **opening balances** of *Operating Lease Receivables* and Accumulated Surplus have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register as at 30 June 2011, contracts not previously recognised.

The **prior year amounts** of *Operating Lease Receivables* and Rental Revenue have been restated to correctly disclose the amount for Operating Lease Receivables in terms of the Lease Register for 2011/12, contracts not previously recognised.

**Property, Plant and Equipment:**

The **opening balances** of *Property, Plant & Equipment*, Non-current Provisions and Accumulated Surplus have been restated to correctly disclose the amount for the Assets and Provision for Landfill Sites, previously incorrectly calculated and accounted for.

The **prior year amounts** for *Property, Plant & Equipment* and Government Grants & Subsidies Received have been restated to correctly disclose the amount for Library Books, previously recognised in error.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Grants & Subsidies Paid have been restated to correctly disclose the amount for Electricity Infrastructure, expenditure previously expensed and not capitalised.

Furthermore, the **prior year amounts** for *Property, Plant & Equipment* and Depreciation & Amortisation have been restated to correctly disclose the depreciation for Landfill Sites, previously not accounted for.

**Payables from Exchange Transactions:**

The **prior year amounts** for *Payables from Exchange Transactions*, VAT Receivable, Revenue and Expenditure have been restated to correctly disclose the amount for VAT Receivable in terms of a VAT Audit performed.

**Non-current Provisions:**

The **opening balances** of *Non-current Provisions*, Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the amount for the Assets and Provision for Landfill Sites, previously incorrectly calculated and accounted for.

The **prior year amounts** for *Non-current Provisions*, Repairs & Maintenance and Finance Costs have been restated to correctly disclose the expenditure for the unwinding costs of the Provision for Landfill Sites, previously incorrectly expensed against Repairs & Maintenance.

	<b>VAT Receivable</b>	<b>Lease Receivables</b>	<b>Property, Plant &amp; Equipment</b>
<b>Balances previously published per AFS as at 30 June 2011</b>	<b>12 423 537</b>	<b>56 877</b>	<b>900 295 565</b>
Reclassify opening balance to Lease Register	-	93 013	-
Adjustment for Landfill Sites Rehabilitation Cost	-	-	4 458 251
<b>Balances now published per AFS as at 30 June 2011</b>	<b>12 423 537</b>	<b>149 890</b>	<b>904 753 816</b>
Transactions incurred for the Year 2011/12	(4 928 200)	54 362	109 914 735
Adjustment for VAT Audit	223 015		
Adjustment for VAT Claim Disallowed	(955 326)		
Adjustment for Operating Lease Receivables		3 773	
Library Books: Acquisition Duplicated			(302 682)
Adjustment for Electricity Infrastructure			4 877 914
Adjustment for Landfill Sites Rehabilitation Cost Depreciation			(674 494)
<b>Balances now published per AFS as at 30 June 2012</b>	<b>6 763 026</b>	<b>208 026</b>	<b>1 018 569 289</b>
		<b>Payables: Exchange</b>	<b>Non-current Provisions</b>
<b>Balances previously published per AFS as at 30 June 2011</b>		<b>(48 453 081)</b>	<b>(7 894 897)</b>
Adjustment for Landfill Sites Rehabilitation Cost		-	(1 825 022)
<b>Balances now published per AFS as at 30 June 2011</b>		<b>(48 453 081)</b>	<b>(9 719 919)</b>
Transactions incurred for the Year		(22 136 776)	(2 530 220)
Adjustment for VAT Audit		(9 722)	
Adjustment for Landfill Sites Rehabilitation Provision - Maintenance Charges			1 026 946
Adjustment for Landfill Sites Rehabilitation Provision - Interest Charges			(425 955)
<b>Balances now published per AFS as at 30 June 2012</b>		<b>(70 599 578)</b>	<b>(11 649 147)</b>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>42 CHANGE IN ACCOUNTING ESTIMATES</b>		
<b>42.1 Depreciation Expenditure:</b>		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2013. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	20 188 070	-
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b>20 188 070</b>	<b>-</b>
Depreciation as previously stated	45 610 830	46 965 637
Adjustment due to Change in Accounting Estimate	20 188 070	-
<b>Depreciation as per Note 33</b>	<b>65 798 900</b>	<b>46 965 637</b>
<b>43 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	301 631 827	211 691 184
Adjustment for:		
Depreciation and Amortisation	65 798 900	46 965 637
Impairment Losses on Property, Plant and Equipment	1 097	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	972 047
Profit on Sale of Land	(8 780 722)	(4 532 476)
Property, Plant and Equipment transferred to Assets Held-for-Sale	50 319	-
Other Movement on Property, Plant and Equipment	277 462	(60 144)
Contribution to Retirement Benefit Liabilities	4 989 243	6 267 857
Expenditure incurred from Retirement Benefit Liabilities	(1 309 580)	(1 270 117)
Contribution to Provisions - Current	(738 403)	(577 422)
Contribution to Provisions - Non-current	1 954 733	2 539 697
Expenditure incurred from Provisions - Current	(578 703)	(566 590)
Contribution to Impairment Provision	52 625 190	43 538 102
Bad Debts Written-off	(65 698 022)	-
<b>Operating surplus before working capital changes</b>	<b>350 223 343</b>	<b>304 967 774</b>
Decrease/(Increase) in Inventories	305 809	(707 696)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	(50 319)	311 250
Decrease/(Increase) in Receivables from Exchange Transactions	5 857 218	(46 693 190)
Decrease/(Increase) in Receivables from Non-exchange Transactions	1 755 783	(7 074 229)
Decrease/(Increase) in VAT Receivable	(24 018 262)	5 660 511
Decrease/(Increase) in Operating Lease Assets	(17 538)	(58 135)
Decrease/(Increase) in Current Portion of Long-term Receivables	1 132 668	(56 588)
Increase/(Decrease) in Consumer Deposits	129 114	(45 476)
Increase/(Decrease) in Payables from Exchange Transactions	23 374 491	22 146 498
Increase/(Decrease) in Payables from Non-exchange Transactions	4 477 062	476 968
Increase/(Decrease) in Conditional Grants and Receipts	(73 661 470)	85 585 662
<b>Cash generated by / (utilised in) Operations</b>	<b>289 507 898</b>	<b>364 513 347</b>
<b>44 NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.		
<b>45 FINANCING FACILITIES</b>		
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	923 737	694 555
- Amount unused	76 263	305 445
	<b>1 000 000</b>	<b>1 000 000</b>

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**46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**46.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	14 906 393	14 787 553
Unauthorised Expenditure current year	29 993 954	118 840
Approved by Council or condoned	(14 787 553)	-
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u><b>30 112 794</b></u>	<u><b>14 906 393</b></u>

<b>Incident</b>	<b>Disciplinary Steps / Criminal Proceedings</b>
<i>Budgeted votes exceeded:-</i>	
- Executive and Council - R9 603 420 (2012: R0)	To be condoned by Council
- Water - R20 390 535 (2012: R118 840)	To be condoned by Council (2012: Under investigation)

**46.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 779 278	1 762 985
Fruitless and Wasteful Expenditure current year	499 629	16 293
Condoned or written off by Council	(313 821)	-
To be recovered – contingent asset (see Note 53)	(1 449 164)	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u><b>515 921</b></u>	<u><b>1 779 278</b></u>

<b>Incident</b>	<b>Disciplinary Steps / Criminal Proceedings</b>
<i>Fraudulent payments (Makone Consulting vs Sokhela) - R295 147 (2012: R0)</i>	To be submitted to Council
<i>Unsatisfactory work (Machikiri Stormwater) - R49 881 (2012: R0)</i>	To be submitted to Council
<i>Interest on late payment - Various Creditors - R154 601 (2012: R16 293)</i>	To be submitted to Council (2012: Under investigation)

**46.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	77 787 572	62 645 723
Irregular Expenditure current year	36 375 277	15 141 849
Condoned or written off by Council	(62 645 723)	-
To be recovered – contingent asset (see Note 53)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u><b>51 517 126</b></u>	<u><b>77 787 572</b></u>

<b>Incident</b>	<b>Disciplinary Steps / Criminal Proceedings</b>
<i>Goods &amp; Services with transaction value below R200 000 procured without obtaining the required price quotations - R0 (2012: R260 444)</i>	Under Investigation. To be submitted to Council for condonement.
<i>Irregular award made to MG Phatudi Attorneys - R0 (2012: R120 000)</i>	Under Investigation. To be submitted to Council for condonement.
<i>Irregular award made to Maningo Security CC - R0 (2012: R435 982)</i>	Under Investigation. To be submitted to Council for condonement.
<i>Irregular award made to Matakanye Construction CC, not advertised for required number of days - R0 (2012: R11 484 261)</i>	Under Investigation. To be submitted to Council for condonement.
<i>Irregular salary payment to MH Thobejane - R0 (2012: R744 633)</i>	Dismissed. Claim for losses.
<i>Irregular awards made to various contractors as per working papers - R33 579 681 (2012: R0)</i>	Under Investigation. To be submitted to Council for condonement.
<i>Expenditure contrary to SCM Processes as described in Note 47.8 - R2 795 596 (2012: R2 096 530)</i>	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R	
47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
47.1 Contributions to organised local government - SALGA			
Opening Balance	-	-	
Council Subscriptions	1 459 504	1 190 436	
Amount Paid - current year	(1 459 504)	(1 190 436)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.2 Audit Fees			
Opening Balance	-	-	
Current year Audit Fee	1 969 850	1 832 466	
Amount Paid - current year	(1 969 850)	(1 832 466)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.3 VAT			
The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.			
47.4 PAYE, Skills Development Levy and UIF			
Opening Balance	-	-	
Current year Payroll Deductions	25 309 686	22 528 802	
Amount Paid - current year	(25 309 686)	(22 528 802)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.5 Pension and Medical Aid Deductions			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	36 109 731	29 594 984	
Amount Paid - current year	(36 109 731)	(29 594 984)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2013	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Maritz MF	10 717	203	10 514
Total Councillor Arrear Consumer Accounts	10 717	203	10 514
30 June 2012	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Mutshinya MF	1 847	1 415	431
Councillor Sekoala MS	515	411	103
Total Councillor Arrear Consumer Accounts	2 361	1 827	534

**MOGALAKWENA MUNICIPALITY**  
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	2013 R	2012 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
<b>30 June 2013</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Mabusela RM	569	> 90 Days
Councillor Manamela LE	439	> 90 Days
Councillor Maritz MF	13 773	> 90 Days
Councillor Mashamaite TA	10 834	> 90 Days
<b>30 June 2012</b>	<b>Highest amount outstanding</b>	<b>Ageing</b>
Councillor Mutshinya MF	4 814	> 90 Days
Councillor Sekoala MS	103	> 90 Days
Councillor Senosha SCG	7 386	> 90 Days

**47.7 Non-Compliance with the Municipal Finance Management Act**

The municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
Revenue management	8	64	(3)
Information to be placed on websites of municipalities	8	75	(1) to (2)
Supply chain management policy to comply with prescribed framework	11	112	

**47.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Mayor	Year 2012/13	Various occasions (18)	Various reasons like preferred supplier & venue, urgency, etc	741 788.50
18 Occasions during the financial year procuring various services amounting to R741 788,50				
Community Services	Year 2012/13	Various occasions (3)	Preferred supplier, sole supplier and no quotations submitted	527 062.89
3 Occasions during the financial year procuring furniture, paint and repairing services amounting to R527 062,89				
Corporate Support Services	Dec 2012	CSS Trisano	Preferred supplier	4 562.83
Procuring repairing services for laptop amounting to R4 562,83				
Developmental Services	Jan 2013	GIScoe (Pty) Ltd	Sole supplier and urgency	34 698.00
	Jan 2013	GIScoe (Pty) Ltd		124 979.00
	Apr 2013	Knowledge Base Sales (Pty) Ltd		2 029.20
3 Occasions during the financial year procuring professional services for GIS, GIS hardware and dongles amounting to R161 706,20				
Electrical Services	Nov 2012	Oasis Lodge Mokopane	Preferred supplier	2 500.00
	Feb 2013	Actom Electrical Products		556 662.00
2 Occasions during the financial year procuring cable and catering services amounting to R559 162,00				
Financial Services	Aug 2012	Lithotech	Sole supplier and urgency	72 916.68
Procuring electricity & water accounts during the financial year amounting to R72 916,68				
Supply Chain Management Services	Nov 2012	Actom Electrical Products	Sole supplier and urgency	238 317.00
	Apr 2013	Actom Electrical Products		41 838.00
2 Occasions during the financial year procuring transformers and cable amounting to R280 155,00				
Traffic and Emergency Services	Year 2012/13	Various occasions (14)	Various reasons like sole supplier, limited bidding, urgency, etc	448 241.72
14 Occasions during the financial year procuring various services amounting to R448 241,72				

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**                      **2012**  
**R**

**47.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

		Lost Units	Tariff	Value
<b>30 June 2013</b>	Unaccounted Electricity Losses	<u>22 850 367</u>	<u>0.6220</u>	<u>14 212 928</u>
<b>30 June 2012</b>	Unaccounted Electricity Losses	<u>18 092 939</u>	<u>0.6300</u>	<u>11 398 552</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

**2013**  
**R**                      **2012**  
**R**

**Volumes in kWh/year:**

System Input Volume	199 277 489	195 968 938
Billed Consumption	176 427 122	177 875 999
Distribution Loss	22 850 367	18 092 939
Percentage Distribution Loss	11.47%	9.23%

**Water:**

		Lost Units	Tariff	Value
<b>30 June 2013</b>	Unaccounted Water Losses	<u>2 020 599</u>	<u>4.5300</u>	<u>9 153 313</u>
<b>30 June 2012</b>	Unaccounted Water Losses	<u>2 200 181</u>	<u>3.2790</u>	<u>7 214 393</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

**2013**  
**R**                      **2012**  
**R**

**Volumes in KI/year:**

System Input Volume	9 163 144	7 845 594
Billed Consumption	7 142 545	5 645 413
Distribution Loss	2 020 599	2 200 181
Percentage Distribution Loss	22.05%	28.04%

**48 COMMITMENTS FOR EXPENDITURE**

**48.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

*Infrastructure*  
*Community*  
*Other*

<b>133 492 506</b>	<b>78 778 265</b>
128 211 119	60 033 428
2 863 258	18 744 837
2 418 129	-

**Total Capital Commitments**

<u><b>133 492 506</b></u>	<u><b>78 778 265</b></u>
---------------------------	--------------------------

This expenditure will be financed from:

Capital Replacement Reserve  
Government Grants

3 241 991	1 467 454
130 250 514	77 310 811
<u><b>133 492 506</b></u>	<u><b>78 778 265</b></u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**                      **2012**  
**R**                              **R**

**48.2 Lease Commitments**

Non-cancellable Operating Lease Commitments are disclosed in Note 20.

**48.3 Other Commitments**

The municipality has entered into a contract with Ducharme Consulting Services during 2010/11 for the compilation of Annual Financial Statements for 2 years, which will give rise to a total charge of R1 439 160. The contract terminates on 30 June 2013.

The municipality has entered into a contract on 01 February 2011 with Baepereki Consultants for administering the Project Management Unit for 3 years, which will give rise to a charge of 2,3% (2011: 2,7%) of actual project expenditure payable on a monthly basis. The contract terminates on 30 June 2014.

The municipality has entered into a contract on 01 March 2011 with the Institute for Performance Management (Pty) Ltd for the implementation of a Performance Management System for 3 years, which will give rise to a total charge of R3 260 617. The contract terminates on 30 June 2013.

The municipality has entered into a contract on 01 July 2012 with DDP Valuers (Pty) Ltd for the compiling of the Valuation Roll for 4 years, which will give rise to a total charge of R2 688 600. Various other actions coming forward from the valuation processes are charged per item/hour/day. The contract terminates on 30 June 2017.

**49 FINANCIAL INSTRUMENTS**

**49.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	1 647 519	2 289 574
Sale of Stand Loans	Amortised cost	-	-
Study Cost Loans	Amortised cost	-	-
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	11 633 549	11 973 854
Refuse	Amortised cost	2 035 603	1 866 887
Sewerage	Amortised cost	3 286 439	2 879 793
Water	Amortised cost	5 246 262	3 436 348
Other Receivables	Amortised cost	13 636 845	11 239 266
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	15 949 592	14 127 855
Accruals	Amortised cost	11 143 881	11 385 463
Sundry Deposits	Amortised cost	903 835	664 828
Sundry Debtors	Amortised cost	3 108 815	4 090 048
Suspense Accounts	Amortised cost	291 100	336 733
<b>Cash and Cash Equivalents</b>			
Call Deposits	Fair value	14 206 992	14 108 504
Notice Deposits	Amortised cost	435 000 000	485 000 000
Bank Balances	Fair value	19 980 684	2 617 573
Cash Floats and Advances	Fair value	24 406	24 406
<b>Current Portion of Long-term Receivables</b>			
Debtors Capitalised Loans	Amortised cost	4 919 457	4 881 611
Sale of Stand Loans	Amortised cost	291 956	1 455 835
Study Cost Loans	Amortised cost	43 380	50 015

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

		<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Debtors Capitalised Loans	1 647 519	2 289 574
Long-term Receivables	Sale of Stand Loans	-	-
Long-term Receivables	Study Cost Loans	-	-
Receivables from Exchange Transactions	Electricity	11 633 549	11 973 854
Receivables from Exchange Transactions	Refuse	2 035 603	1 866 887
Receivables from Exchange Transactions	Sewerage	3 286 439	2 879 793
Receivables from Exchange Transactions	Water	5 246 262	3 436 348
Receivables from Exchange Transactions	Other Debtors	13 636 845	11 239 266
Receivables from Non-exchange Transactions	Assessment Rates Debtors	15 949 592	14 127 855
Receivables from Non-exchange Transactions	Accruals	11 143 881	11 385 463
Receivables from Non-exchange Transactions	Sundry Deposits	903 835	664 828
Receivables from Non-exchange Transactions	Sundry Debtors	3 108 815	4 090 048
Receivables from Non-exchange Transactions	Suspense Accounts	291 100	336 733
Current Portion of Long-term Receivables	Debtors Capitalised Loans	4 919 457	4 881 611
Current Portion of Long-term Receivables	Sale of Stand Loans	291 956	1 455 835
Current Portion of Long-term Receivables	Study Cost Loans	43 380	50 015
Cash and Cash Equivalents	Notice Deposits	435 000 000	485 000 000
		<u>509 138 234</u>	<u>555 678 110</u>
<b>Financial Assets at Fair Value:</b>			
Cash and Cash Equivalents	Call Deposits	14 206 992	14 108 504
Cash and Cash Equivalents	Bank Balances	19 980 684	2 617 573
Cash and Cash Equivalents	Cash Floats and Advances	24 406	24 406
		<u>34 212 083</u>	<u>16 750 484</u>
<b>Total Financial Assets</b>		<u><b>543 350 317</b></u>	<u><b>572 428 594</b></u>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u><b>Financial Liabilities</b></u>	<u><b>Classification</b></u>		
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	51 824 226	51 503 692
Retentions	Amortised cost	41 849 843	18 795 886
Other Creditors	Amortised cost	300 000	300 000
<b>Payables from Non-exchange Transactions</b>			
Staff Bonuses	Amortised cost	3 848 611	3 706 007
Staff Leave Accrued	Amortised cost	16 229 491	15 843 271
Sundry Deposits	Amortised cost	475 204	376 517
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Payables from Exchange Transactions	Trade Creditors	51 824 226	51 503 692
Payables from Exchange Transactions	Retentions	41 849 843	18 795 886
Payables from Exchange Transactions	Other Creditors	300 000	300 000
Payables from Non-exchange Transactions	Staff Bonuses	3 848 611	3 706 007
Payables from Non-exchange Transactions	Staff Leave Accrued	16 229 491	15 843 271
Payables from Non-exchange Transactions	Sundry Deposits	475 204	376 517
		<u>114 527 376</u>	<u>90 525 375</u>
<b>Total Financial Liabilities</b>		<u><b>114 527 376</b></u>	<u><b>90 525 375</b></u>

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>2013</b>	<b>2012</b>
<b>R</b>	<b>R</b>

**49.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash and Short-term Investments**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>			<b>2012</b>
	<b>R</b>			<b>R</b>
<b>30 June 2013</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Call Deposits	-	14 206 992	-	14 206 992
Bank Balances and Cash	-	20 005 090	-	20 005 090
<b>Total Financial Assets</b>	-	34 212 083	-	34 212 083
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	-	-	-	-
<b>Total Financial Instruments</b>	-	34 212 083	-	34 212 083

<b>30 June 2012</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Call Deposits	-	14 108 504	-	14 108 504
Bank Balances and Cash	-	2 641 979	-	2 641 979
<b>Total Financial Assets</b>	-	16 750 484	-	16 750 484
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Instruments at Fair Value:</b>				
<b>Total Financial Liabilities</b>	-	-	-	-
<b>Total Financial Instruments</b>	-	16 750 484	-	16 750 484

**49.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

**Gearing Ratio**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
The gearing ratio at the year-end was as follows:		
Debt	0	0
Cash and Cash Equivalents	(469 212 083)	(501 750 484)
Net Debt	(469 212 083)	(501 750 484)
Equity	1 568 159 979	1 266 528 151
<b>Net debt to equity ratio</b>	<b>-29.92%</b>	<b>-39.62%</b>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**49.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**49.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 49.8 and 49.9 to the Annual Financial Statements.

**49.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>2013</b>	<b>2012</b>
<b>R</b>	<b>R</b>

**49.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**49.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 49.9 below:

***Cash and Cash Equivalents:***

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2013 would have increased / decreased by R254 569 (30 June 2012: R338 696). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**49.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2013		30 June 2012	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
Makapan Mall (Pty) Ltd	-	2 727 393	-	1 771 769
Zephan Properties (Pty) Ltd	-	2 111 628	-	-
Midway Bricks (Pty) Ltd	-	1 408 699	-	-
Department of Education, Arts and Culture	-	1 250 348	-	1 131 313
Nedan Oil Mills (Pty) Ltd	-	1 183 284	-	1 129 221
Northern Province Academy of Sport	-	-	-	1 087 369
Department of Waterworks and Forestry	-	-	-	1 000 559

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	7 866 780	9 866 487
Receivables from Exchange Transactions	231 807 543	237 664 761
Receivables from Non-exchange Transactions	67 018 042	68 773 825
Bank, Cash and Cash Equivalents	469 212 083	501 750 484
<b>Maximum Credit and Interest Risk Exposure</b>	<b>775 904 448</b>	<b>818 055 557</b>
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Consumer Debtors:		
- Household	74.46%	77.33%
- Industrial / Commercial	8.53%	8.06%
- National and Provincial Government	11.84%	9.23%
Other Debtors:		
- Other not Classified	5.17%	5.38%
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	180 000 000	90 000 000
First National Bank	90 000 000	140 000 000
Nedbank	165 000 000	125 000 000
Standard Bank	34 187 677	146 726 078
Cash Equivalents	24 406	24 406
<b>Total Bank and Cash Balances</b>	<b>469 212 083</b>	<b>501 750 484</b>
<b>Credit quality of Financial Assets:</b>		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Long-term Receivables</b>		
Group 1	291 956	1 455 835
Group 2	43 380	50 015
Group 3	6 566 975	7 171 185
<b>Total Long-term Receivables</b>	<b>6 902 312</b>	<b>8 677 035</b>
<b>Receivables from Exchange Transactions</b>		
Counterparties without external credit rating:-		
Group 1	14 230 426	13 217 475
Group 2	2 055 253	2 580 966
	16 285 679	15 798 440
<b>Total Receivables from Exchange Transactions</b>	<b>16 285 679</b>	<b>15 798 440</b>
<b>Receivables from Non-exchange Transactions</b>		
Group 1	18 360 375	19 221 256
Group 2	-	-
<b>Total Receivables from Non-exchange Transactions</b>	<b>18 360 375</b>	<b>19 221 256</b>

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**49 FINANCIAL INSTRUMENTS (Continued)**

**49.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
<b>30 June 2013</b>	<b>#</b>	<b>%</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
Non-interest Bearing		0.00%	74 162 640	74 162 640	-	-	-	-
Variable Interest Rate Instruments		6.13%	34 187 677	34 187 677	-	-	-	-
Fixed Interest Rate Instruments		5.94%	435 000 000	435 000 000	-	-	-	-
			<b>543 350 317</b>	<b>543 350 317</b>	-	-	-	-
<b>30 June 2012</b>								
Non-interest Bearing		0.00%	70 702 516	70 702 516	-	-	-	-
Variable Interest Rate Instruments		4.98%	16 726 078	16 726 078	-	-	-	-
Fixed Interest Rate Instruments		6.37%	485 000 000	485 000 000	-	-	-	-
			<b>572 428 594</b>	<b>572 428 594</b>	-	-	-	-

The municipality has access to financing facilities, the total unused amount which is R305 445 (2011: R575 550), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**49.9 Effective Interest Rates and Repricing Analysis**

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

**30 June 2013**

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>FIXED RATE INSTRUMENTS</b>								
<b>Total Fixed Rate Instruments</b>			-	-	-	-	-	-
<b>VARIABLE RATE INSTRUMENTS</b>								
Short-term Investment Deposits	7		449 206 992	449 206 992	-	-	-	-
Bank Balances and Cash	7		20 005 090	20 005 090	-	-	-	-
<b>Total Fixed Rate Instruments</b>			<b>469 212 083</b>	<b>469 212 083</b>	-	-	-	-

**30 June 2012**

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>FIXED RATE INSTRUMENTS</b>								
<b>Total Fixed Rate Instruments</b>			-	-	-	-	-	-
<b>VARIABLE RATE INSTRUMENTS</b>								
Short-term Investment Deposits	7		499 108 504	499 108 504	-	-	-	-
Bank Balances and Cash	7		2 641 979	2 641 979	-	-	-	-
<b>Total Fixed Rate Instruments</b>			<b>501 750 484</b>	<b>501 750 484</b>	-	-	-	-

**49.10 Other Price Risks**

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>2013</b>	<b>2012</b>
<b>R</b>	<b>R</b>

**50 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R20 480 870 (2012: R19 245 118) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Municipal Employees Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

No further information could be obtained.

**National Fund for Municipal Workers - Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further information could be obtained.

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2010.

No further information could be obtained.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**                      **2012**  
**R**                              **R**

**Municipal Employees Gratuity Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The valuation performed as at 30 June 2012 revealed that the market value of the fund was R12 537 (30 June 2010: 9 774) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2012.

**National Fund for Municipal Workers - Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2010.

The net assets available for benefits were R4 191 (2008: R3 617) million.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of R9,6 (1 July 2008: R6,3) million, with a funding level of 99,77% (1 July 2008: 99,83%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

**51 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**51.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

<b>Name of Related Person</b>	<b>Designation</b>	<b>Description of Related Party Relationship</b>
Beyers-Smit CF	Councillor	Owner and 25% Interest in Ntsepe Financial Services CC
Kekana VH	Councillor	Director of and 50% Interest in Leokga Trading & Enterprise
Machamaite PA	Councillor	Owner of 29A Bezuidenhout Street
Manamela LE	Councillor	Director of and 50% Interest in Motangtang Electrical
Morkel-Brink GE	Councillor	Trustee of Babsita Family Trust; Trustee of BV Pretorius Family Trust; Trustee of Welda Du Toit Trust
Setlatjile KD	Councillor	Director of and 33% Interest in Servimark 133
Mphago KJ	Manager	4% Membership in Kodumelang Construction & Manufacturing; 100% Ownership in Boikemo Investment Properties; 100% Ownership in Taxshop Polokwane South Franchise
De Villiers IA	Deputy Manager	20% Interest in AMS Haven 139; Director of and 20% Interest in Altmic Properties 55; Director of and 33,3% Interest in Romanesque Property Investments 49
Joubert W	Deputy Manager	Son-in-Law is the owner of Diesel Power Truck Repairs CC
Hungwani S	Divisional Head	100% Ownership in Nhlaluko Development Consultants
Molena DM	Official (SCM)	50% Partnership in Sensual Veille Intimates; 100% Ownership in MBT Cosmetics
Ragoasha MKM	Official (SCM)	100% Ownership in Bakgabale Creations & Décor
Venter R	Official	Spouse the owner of "Pronto Elektries"

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
R  
**2012**  
R

**51.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	<b>Rates Charges R</b>	<b>Service Charges R</b>	<b>Sundry Charges R</b>	<b>Outstanding Balances R</b>
<b>For the Year ended 30 June 2013</b>				
Councillors	47 022	137 763	596	16 878
Municipal Manager and Section 57 Personnel	1 373	8 337	-	8 261
<b>Total Services</b>	<b>48 395</b>	<b>146 100</b>	<b>596</b>	<b>25 138</b>
<b>For the Year ended 30 June 2012</b>				
Councillors	34 076	133 907	-	15 983
Municipal Manager and Section 57 Personnel	11 925	51 406	-	7 102
<b>Total Services</b>	<b>46 001</b>	<b>185 313</b>	<b>-</b>	<b>23 085</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**51.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 14 to the Annual Financial Statements.

**51.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**2013**  
R  
**2012**  
R

**51.5 Purchases from Related Parties**

The municipality bought goods from the following companies, which are considered to be Related Parties:

<b>Company Name</b>	<b>Related Person</b>	<b>Company Capacity</b>	<b>Municipal Capacity</b>	<b>Purchases for the Year</b>	<b>Purchases for the Year</b>
Diesel Power Truck Repairs	Oosthuizen DP	Owner (In-law)	Official	2 326 292	339 043
Pronto Elektries	Venter A	Owner (Spouse)	Official	29 830	74 833
Tau Industries	Grove A	Owner (Parent)	Official	-	4 331 321
<b>Total Purchases</b>				<b>2 356 122</b>	<b>4 745 197</b>

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>52 CONTINGENT LIABILITIES</b>		
<b>52.1 Guarantees:</b>	<b>-</b>	<b>22 640 500</b>
(i) Eskom: The municipality issued a bank guarantee in favour of Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers.	-	22 640 500
<b>52.2 Court Proceedings:</b>	<b>46 295 964</b>	<b>17 924 498</b>
(i) Dispute on Water Account: The municipality is being sued by a consumer, Academy of Sports Excellence, for a dispute on their water account. The municipality is defending the claim based on legal advice. A trial date has not been set to date. The plaintiff's Discovery Affidavit and the trial date from Registrar is awaited. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from its Provision for Bad Debts. The municipality is proceeding with a debtor's claim of R860 000 against the plaintiff. A 3rd defendant was located and served with a summons, and entered defence. The outcome of the case is still uncertain.	96 000	96 000
(ii) Claim for Retention Money: A claim was received from Segole II Development Trust the payment of retention money. It is alleged that Waterberg District Municipality paid the retention money over to the municipality to pay to the claimant. The matter has been submitted to the municipality's Attorneys. No progress has been made to date and the file has been closed.	-	59 517
(iii) Building Services Rendered: The municipality is being sued by SA Call Centre Solutions for alleged services rendered for the design, build, implementation and support of a 20-seater Call Centre. The matter was postponed <i>sine die</i> by Court on 7 May 2012 with costs for the municipality. No progress has been made to date and the file has been closed.	-	216 558
(iv) Termination of Mandate for Debt Collection: The municipality is being sued by Katlego Benefit Administrators for termination of mandate for debt collection. The municipality is defending the claim based on legal advice. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from the Accumulated Surplus or by the municipality's insurers. The matter was postponed for plaintiff to submit proof of registration as a debt collector. The matter has subsequently been finalised.	-	8 465 022
(v) Claim for Losses Sustained: A claim was received from Emang Development Projects CC for alleged losses sustained when the municipality terminated the contract they were working on on grounds of non-performance. No progress has been made to date and a trial date is awaited. The outcome of the matter is still uncertain.	365 132	365 132
(vi) Non-payment for Work Done: The municipality is being summoned by Hlohlweni Business Enterprises CC for non-payment of the agreed fee of 15% for the procurement of funds from the National Lottery and excludes legal costs. The matter was referred to the municipality's attorneys. A trial date has been set for 6 September 2010, but has been postponed to 6 December 2010 at Defendant's Discovery Affidavit. The Court granted absolution from instance with costs in favour of the municipality on 31 January 2013.	-	4 247 755
(vii) Claim for Storm Water Damages: A claim was received from MA Makhafole for alleged damages to the claimant's house when it was flooded due to poor storm water reticulation systems. The matter has been submitted to the municipality's Attorneys. A pre-trial conference has been held on 14 May 2013 and the trial will be held during August/September 2013. The outcome of the matter is still uncertain.	3 500 000	3 500 000

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
(viii) Repossession of Land: The municipality has cancelled a deed of sale due to non-compliance by the purchaser, Gov-Al Properties CC, and repossessed the portion of land. Gov-Al Properties CC are now suing the municipality in the High Court in order to get possession of the land again. The case was removed from the roll on 5 May 2008. Subsequently a summons was received and a trial date was set for 3 May 2011, which was postponed. The Plaintiff did not file replication and the municipality must now enroll the matter for trial. The outcome of the case is still unknown.	817 513	817 513
(ix) Contesting Council Resolution: Lake View Estates is appealing against a resolution of the council not to approve a township development. The appeal procedure is ongoing. The outcome of the matter is still unknown. The High Court ruled that Limpopo Tribunal does not have the authority to preside over the appeal.	-	-
(x) Claim for Violation of Human Dignity: A claim was received from MS Bambo for the violation of his dignity. The municipality invited the claimant to an interview for a vacant position, but claimant was not appointed. An irregular step procedure has been taken as the Plaintiff did not provide an address within 8 km from Court. Subsequently, the municipality's attorney filed a Notice of Motion for Dismissal with costs. The return date is 30 August 2013. The outcome of the matter is still uncertain.	157 001	157 001
(xi) Contesting Council Resolution: An application was brought to the High Court by MP Pale to set aside a Council Resolution to reinstate an employee contrary to the outcome of a Disciplinary Hearing, recommending dismissal. Subsequently Council resolved on 13/03/2012 that the employee be dismissed. Application was brought to Court for the municipality to be responsible for settlement of the Legal Costs of the Applicant. Subsequently the matter has been settled and the municipality paid the legal costs of plaintiff.	-	-
(xii) Contesting Council Resolution: An application was brought to the High Court by Afriforum to set aside a Council Resolution to reinstate an employee contrary to the outcome of a Disciplinary Hearing, recommending dismissal. Subsequently Council resolved on 13/03/2012 that the employee be dismissed. Application was brought to Court for the municipality to be responsible for settlement of the Legal Costs of the Applicant. Subsequently the matter has been settled and the municipality paid the legal costs of plaintiff.	-	-
(xiii) Termination of Contract: The municipality is being sued by MA Ntjana Construction CC for termination of contract and contractual increases not paid. The case has been referred to the municipality's Attorney to defend. The outcome of the matter is still uncertain.	10 100 000	-
(xiv) Claim for Defamation: The municipality is being sued by MH Thobejane for termination of contract and defamation. Mr Thobejane's contract has been terminated after being found guilty to 26 cases of fraud. In terms of the Systems Act the Municipal Manager instituted action against Mr Thobejane in terms of which he cannot enter into employment at Local Government for 10 years because of misconduct. This is a counterclaim by Mr Tobejane on the municipality's claim against him to recover losses incurred because of the misconduct. The case has been referred to the municipality's Attorney to defend. The outcome of the matter is still uncertain.	30 341 632	-
(xv) Claim for 20% Refund of Purchases: The municipality is being sued individually by 29 persons for refund of 20% of the price of land purchased from the municipality. Land developed by the municipality was valued in 2008 and sold at such valuation plus 20%. Subsequently the market stagnated and during 2010/11 Council resolved to market the remaining land at original valuation. The people who previously purchased the land are now claiming back the 20% they paid in excess of the original valuation. The matters were referred to the municipality's Attorney to defend.	918 687	-
<b>52.3 Insurance Claims:</b>	<b>3 183 298</b>	<b>2 512 599</b>
(i) Alleged Damages Incurred: Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.	3 183 298	2 512 599

**MOGALAKWENA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>2013</b>	<b>2012</b>
<b>R</b>	<b>R</b>

**53 CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**53.1 Insurance Claims:**

<b>1 116 700</b>	<b>927 097</b>
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(i) Lost / Damaged Assets:

1 116 700	927 097
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The municipality has a claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R1 116 700 (2012: R927 097) will be recovered.

**53.2 Court Proceedings:**

<b>4 785 343</b>	<b>435 982</b>
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(i) Recovery of Irregular Expenditure:

1 885 147	435 982
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Investigation is being made into the recovery of Irregular Expenditure as disclosed in Note 46.3. It is probable that the proceedings will result in the recovery of the full amount but this recovery is not virtually certain.

(ii) Recovery of Expenditure:

2 900 196	-
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The municipality is suing MH Thobejane in respect of expenditure incurred in contravention of the MFMA. The outcome of the legal processes is unknown at this stage.

**54 IN-KIND DONATIONS AND ASSISTANCE**

The municipality did not receive any In-kind Donations and Assistance during the year under review.

**55 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**56 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

**57 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and Prior Period Errors (Note 41).

**58 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) On 28 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**MOGALAKWENA MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013 (Unaudited)**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013 (Unaudited)**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Land and Buildings</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land: Developed	41 220 934	-	-	-	-	41 220 934	-	-	-	-	-	41 220 934	-
Land: Undeveloped	31 427 394	-	-	-	-	31 427 394	-	-	-	-	-	31 427 394	-
<i>Buildings:</i>													
Carports	808 549	60 783	-	-	-	869 332	375 176	39 535	-	-	414 711	454 621	123 179
Hostels: Public and Tourist	85 671	-	-	-	-	85 671	81 289	2 848	-	-	84 137	1 534	-
Houses	464 882	-	-	-	-	464 882	427 091	3 593	-	-	430 685	34 197	-
Office Buildings	16 624 448	-	63 359	-	-	16 687 807	5 117 568	588 944	-	-	5 706 512	10 981 295	77 000
Warehouses	2 132 917	-	-	-	-	2 132 917	1 490 516	72 420	-	-	1 562 936	569 981	-
Workshops and Depots	514 033	38 964	-	-	-	552 997	201 836	18 941	-	-	220 778	332 219	50 000
Air Conditioning Systems	2 378 681	-	-	-	-	2 378 681	102 375	152 241	-	-	254 616	2 124 065	-
Elevator Systems	566 371	-	-	-	-	566 371	113 264	28 319	-	-	141 583	424 788	-
	<b>96 223 878</b>	<b>99 747</b>	<b>63 359</b>	<b>-</b>	<b>-</b>	<b>96 386 985</b>	<b>7 909 116</b>	<b>906 842</b>	<b>-</b>	<b>-</b>	<b>8 815 958</b>	<b>87 571 026</b>	<b>250 179</b>
<b>Infrastructure</b>													
<i>Electricity:</i>													
High Mast Lights	9 530 586	670 442	859 571	480 174	-	11 540 773	2 136 360	1 140 491	-	-	3 276 851	8 263 922	930 013
Mains	36 079 533	-	-	-	-	36 079 533	7 502 634	1 304 055	-	-	8 806 689	27 272 844	-
Meters	177 502	-	-	-	-	177 502	95 632	8 145	-	-	103 776	73 726	-
Substations	57 002 014	-	-	-	-	57 002 014	16 404 707	1 428 632	-	-	17 833 339	39 168 676	-
Supply and Reticulation	20 522 434	-	7 847 180	-	-	28 369 613	3 692 918	753 069	-	-	4 445 986	23 923 627	3 046 713
Transformers	24 654 938	-	-	-	-	24 654 938	5 182 001	994 890	-	-	6 176 891	18 478 047	-
Major Spare Parts in Inventory	3 923 242	-	-	(277 462)	-	3 645 780	-	-	-	-	-	3 645 780	-
<i>Roads and Transport:</i>													
Bus Terminals	351 000	-	-	-	-	351 000	194 513	8 459	-	-	202 971	148 029	-
Overhead Bridges	-	1 598 652	-	-	-	1 598 652	-	-	-	-	-	1 598 652	236 689
Road Furniture (Lights, Signs, etc)	39 788 702	2 593 317	11 112 146	8 135 073	-	61 629 238	1 438 504	1 990 384	-	-	3 428 889	58 200 349	6 993 272
Roads: Asphalt	238 079 951	27 872 172	14 636 386	-	-	280 588 509	87 254 722	6 062 868	-	-	93 317 590	187 270 919	88 312 222
Roads: Concrete	677 092	-	3 064 878	-	-	3 741 970	26 527	44 867	-	-	71 394	3 670 576	-
Roads: Gravel	71 144 503	-	-	-	-	71 144 503	59 447 073	3 254 611	-	-	62 701 685	8 442 818	-
Roads: Paved	1 355 245	-	-	-	-	1 355 245	48 228	54 281	-	-	102 509	1 252 736	-
Stormwater	103 165 036	14 947 845	26 377 310	4 706 496	-	149 196 686	16 127 858	3 087 869	-	-	19 215 728	129 980 959	12 447 555
Railway Sidings	503 000	-	-	-	-	503 000	431 850	4 907	-	-	436 757	66 243	-
Taxi Ranks	228 694	-	-	-	-	228 694	170 574	6 882	-	-	177 457	51 237	-
Telkom Sleeves	3 970 739	-	-	-	-	3 970 739	733 251	323 749	-	-	1 057 000	2 913 739	-
<i>Sanitation:</i>													
Landfill Sites	8 324 652	-	-	-	-	8 324 652	889 059	1 049 824	-	-	1 938 883	6 385 769	300 000
<i>Sewerage:</i>													
Bulk Pipelines	32 574 415	-	-	-	-	32 574 415	9 827 107	1 150 290	-	-	10 977 397	21 597 018	-
Pumping Stations	3 031 933	-	-	-	-	3 031 933	415 179	239 843	-	-	655 022	2 376 911	1 000 000
Purification Works	12 287 293	(616 808)	-	642 771	-	12 313 256	1 363 426	660 530	-	-	2 023 956	10 289 299	8 186 068
Sewers / Reticulation	26 228 708	1 241 856	10 458 600	-	-	37 929 165	1 672 295	1 410 149	-	-	3 082 443	34 846 721	-

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013 (Unaudited)**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<i>Water:</i>	R	R	R	R	R	R	R	R	R	R	R	R	R
Boreholes	13 100 608	2 739 781	-	1 184 499	-	17 024 888	336 915	1 670 555	-	-	2 007 470	15 017 418	3 734 737
Dams	639 285	-	-	-	-	639 285	106 547	9 346	-	-	115 894	523 391	-
Meters	2 416 019	4 072 786	-	-	-	6 488 805	135 948	241 475	-	-	377 424	6 111 382	4 072 787
Pumping Stations	20 745 069	-	-	-	-	20 745 069	4 399 847	1 689 962	-	-	6 089 810	14 655 259	-
Purification Plant	1 349 750	-	3 159 524	-	-	4 509 274	45 795	156 646	-	-	202 442	4 306 832	-
Reservoirs and Tanks	74 931 576	(861 129)	5 266 221	861 129	-	80 197 797	18 830 260	4 368 374	-	-	23 198 634	56 999 163	11 232 928
Metalwork	25 000	-	-	-	-	25 000	1 319	2 368	-	-	3 688	21 313	-
Standpipes	5 159 622	-	-	-	-	5 159 622	250 909	1 796 689	-	-	2 047 598	3 112 024	-
Supply and Reticulation	186 436 017	8 619 498	202 463 342	3 012 857	-	400 531 714	26 798 917	16 171 217	-	-	42 970 134	357 561 580	220 879 189
Telemetry Systems	267 347	-	-	-	-	267 347	176 520	8 410	-	-	184 930	82 417	-
	<b>998 671 503</b>	<b>62 878 413</b>	<b>285 245 155</b>	<b>18 745 538</b>	<b>-</b>	<b>1 365 540 609</b>	<b>266 137 398</b>	<b>51 093 837</b>	<b>-</b>	<b>-</b>	<b>317 231 235</b>	<b>1 048 309 374</b>	<b>361 372 173</b>
<b>Community Assets</b>													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	1 748 120	-	-	-	-	1 748 120	711 580	58 271	-	-	769 851	978 269	-
<i>Sports Facilities:</i>													
Sport and Recreational Facilities	13 718 717	2 010 119	1 289 719	11 103 029	-	28 121 584	5 904 781	735 740	-	-	6 640 521	21 481 063	14 043 140
Stadiums	3 228 844	-	4 845 373	-	-	8 074 217	744 815	114 191	-	-	859 006	7 215 211	-
<i>Other Facilities:</i>													
Cemeteries	215 181	1 296 025	-	-	-	1 511 206	73 851	25 163	-	-	99 014	1 412 192	1 296 025
Community Centres	11 014 598	16 821	-	-	-	11 031 419	3 800 141	373 403	-	-	4 173 543	6 857 876	16 821
Fire Stations	7 300 000	-	-	-	-	7 300 000	2 696 944	243 333	-	-	2 940 278	4 359 722	-
Libraries	73 790 261	(765 039)	-	-	-	73 025 223	23 932 392	2 459 675	-	-	26 392 067	46 633 156	355 063
Markets	3 132 549	-	-	-	-	3 132 549	517 924	104 399	-	-	622 323	2 510 225	-
Nurseries	145 529	-	-	-	-	145 529	50 929	4 888	-	-	55 817	89 711	-
Old Age Homes	4 050 848	-	-	-	-	4 050 848	2 494 622	123 528	-	-	2 618 151	1 432 697	-
Public Conveniences/Bathrooms	683 540	-	-	-	-	683 540	99 484	22 965	-	-	122 450	561 090	-
Vehicle Testing Centres	44 000	8 694	-	-	-	52 694	42 533	1 793	-	-	44 326	8 368	-
Perimeter Protection	8 498 217	524 187	44 370	-	-	9 066 774	893 313	384 249	-	-	1 277 562	7 789 211	642 492
Security Systems	482 091	-	-	-	-	482 091	331 359	88 336	-	-	419 695	62 396	115 000
	<b>128 052 493</b>	<b>3 090 807</b>	<b>6 179 462</b>	<b>11 103 029</b>	<b>-</b>	<b>148 425 791</b>	<b>42 294 669</b>	<b>4 739 935</b>	<b>-</b>	<b>-</b>	<b>47 034 604</b>	<b>101 391 187</b>	<b>16 468 541</b>
<b>Other Assets</b>													
<i>Bins and Containers:</i>													
Collection Containers / Bins	1 177 704	256 760	-	-	-	1 434 464	340 609	103 324	-	-	443 933	990 532	293 000
<i>Computer Equipment:</i>													
Computer Hardware	7 604 928	790 187	-	50 000	(240 844)	8 204 271	5 608 554	711 990	-	(238 382)	6 082 162	2 122 109	766 106
Computer Networks	82 427	36 000	-	-	-	118 427	6 182	13 043	-	-	19 225	99 202	-
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	68 301	-	-	-	-	68 301	33 089	4 821	-	-	37 910	30 391	-
Fire Equipment	7 059	-	-	-	-	7 059	943	1 132	-	-	2 075	4 984	-
Medical and Allied Equipment	125 838	-	-	-	-	125 838	94 741	10 556	-	-	105 297	20 541	-

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013 (Unaudited)**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Furniture and Fittings:</i>													
Advertising Boards	514	2 300	-	-	-	2 814	101	543	-	-	643	2 171	-
Domestic and Hostel Furniture	15 169	-	-	-	-	15 169	562	981	-	-	1 543	13 626	-
Kitchen Appliances	78 367	19 699	-	-	-	98 066	47 037	6 769	-	-	53 806	44 260	21 050
Other Furniture	4 843 743	333 449	-	474 145	(142 618)	5 508 719	2 627 042	572 661	-	(100 863)	3 098 840	2 409 879	1 420 180
<i>Motor Vehicles:</i>													
Motor Cars	21 765 687	2 173 933	-	-	(24 169)	23 915 452	13 576 482	1 987 810	-	(21 752)	15 542 541	8 372 911	2 976 882
Trailers	640 659	28 476	-	-	-	669 134	216 153	51 069	-	-	267 223	401 912	28 560
Trucks and Bakkies	12 250 149	3 138 893	-	-	-	15 389 041	4 106 010	1 535 005	-	-	5 641 015	9 748 026	1 517 623
<i>Office Equipment:</i>													
Air Conditioners	957 180	15 559	448 779	-	-	1 421 518	359 970	178 967	-	-	538 937	882 582	187 630
Audiovisual Equipment	104 544	-	-	-	-	104 544	12 123	9 941	-	-	22 064	82 480	-
Cellular Phones	822	-	-	-	-	822	129	386	-	-	515	307	-
Chains, Decorations & Robes	87 000	-	-	-	-	87 000	2 658	2 900	-	-	5 558	81 442	-
Domestic Equipment	37 968	50 003	-	-	-	87 970	12 638	8 441	-	-	21 079	66 891	58 000
Library Books	-	302 682	-	926 106	-	1 228 788	-	245 758	-	-	245 758	983 031	-
Other Office Equipment	3 419 413	307 856	-	-	(281 191)	3 446 078	2 800 472	200 046	-	(277 655)	2 722 863	723 215	18 080
Paintings and Sculptures	63 218	-	-	-	-	63 218	25 127	3 141	-	-	28 268	34 950	-
Library Books	6 063 198	882 680	-	-	-	6 945 878	3 048 668	1 093 251	-	-	4 141 918	2 803 960	-
<i>Plant and Equipment:</i>													
Bicycles	1 129	835	-	-	-	1 964	64	220	-	-	284	1 681	1 200
Electric Wire and Power Tools	232 721	8 772	-	-	-	241 493	48 535	32 024	-	-	80 560	160 934	9 000
Farm Equipment	726 588	-	-	-	-	726 588	106 824	43 071	-	-	149 895	576 693	-
Gardening Equipment	990 980	163 530	-	-	-	1 154 510	605 667	198 885	-	-	804 553	349 958	223 057
Laboratory Equipment	3 900	124 694	-	-	-	128 594	3 273	330	-	-	3 603	124 992	125 000
Other Plant and Equipment	4 485 146	4 753	-	-	-	4 489 899	2 971 873	420 350	-	-	3 392 222	1 097 676	4 754
Pumps and Plumbing Equipment	670 633	-	-	-	-	670 633	182 395	60 430	-	-	242 826	427 807	-
Radio Equipment	468 333	39 483	-	-	(5 887)	501 928	292 774	47 832	-	(5 787)	334 819	167 109	63 200
Road Construction Equipment	3 691 653	5 502 800	-	-	-	9 194 453	535 548	221 830	-	-	757 378	8 437 075	5 536 000
Satellite Tracking Equipment	59 959	11 575	-	-	-	71 534	6 931	9 062	-	-	15 993	55 541	13 196
Security Equipment	238 287	531 041	-	-	-	769 328	81 546	116 441	-	-	197 988	571 340	-
Sport & Eecreational Equipment	131 500	290 275	-	-	-	421 775	4 217	40 403	-	-	44 620	377 155	482 639
Telecommunication Equipment	383 305	-	-	-	(650)	382 655	83 211	68 428	-	(600)	151 038	231 617	-
Woodworking Machinery/Equipme	439 430	-	-	-	-	439 430	79 097	39 549	-	-	118 646	320 784	-
Workshop Equipment	2 973 538	404 937	-	-	-	3 378 475	1 379 118	327 800	-	-	1 706 918	1 671 557	486 305
<i>Specialised Vehicles:</i>													
Sewerage Collection Vehicles	3 121 035	-	-	-	-	3 121 035	208 349	280 893	-	-	489 242	2 631 793	1 653 600
<i>Other Assets:</i>													
Laboratories	51	-	-	-	-	51	49	0	-	-	49	1	-
	<b>78 012 076</b>	<b>15 421 172</b>	<b>448 779</b>	<b>1 450 250</b>	<b>(695 358)</b>	<b>94 636 920</b>	<b>39 508 763</b>	<b>8 650 081</b>	<b>-</b>	<b>(645 038)</b>	<b>47 513 805</b>	<b>47 123 114</b>	<b>15 885 062</b>
<b>Total</b>	<b>1 300 959 951</b>	<b>81 490 138</b>	<b>291 936 755</b>	<b>31 298 817</b>	<b>(695 358)</b>	<b>1 704 990 305</b>	<b>355 849 946</b>	<b>65 390 695</b>	<b>-</b>	<b>(645 038)</b>	<b>420 595 602</b>	<b>1 284 394 702</b>	<b>393 975 955</b>
						0.00					0.00	0.00	

**APPENDIX B**  
**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013 (Unaudited)**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Investment Properties</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	4 564 000	-	-	-	-	4 564 000	1 557 756	91 633	-	-	1 649 389	2 914 611	-
	<b>4 564 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 564 000</b>	<b>1 557 756</b>	<b>91 633</b>	<b>-</b>	<b>-</b>	<b>1 649 389</b>	<b>2 914 611</b>	<b>-</b>
						0.00							

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Intangible Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	4 838 916	150 170	-	10 000	-	4 999 085	3 639 150	317 670	-	-	3 956 820	1 042 265	368 490
	<b>4 838 916</b>	<b>150 170</b>	<b>-</b>	<b>10 000</b>	<b>-</b>	<b>4 999 085</b>	<b>3 639 150</b>	<b>317 670</b>	<b>-</b>	<b>-</b>	<b>3 956 820</b>	<b>1 042 265</b>	<b>368 490</b>
						0.00							

**MOGALAKWENA MUNICIPALITY**  
**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 40725
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Heritage Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Culturally Significant Buildings	51	-	-	-	-	51	-	-	-	-	-	51	-
Historical Sites	5 736 139	-	-	-	-	5 736 139	-	-	-	-	-	5 736 139	-
National Monuments	152	-	-	-	-	152	-	-	-	-	-	152	-
	<b>5 736 342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 736 342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 736 342</b>	<b>-</b>
						0.00							
<b>Total Asset Register</b>	<b>1 316 099 209</b>	<b>81 640 308</b>	<b>291 936 755</b>	<b>31 308 817</b>	<b>(695 358)</b>	<b>1 720 289 732</b>	<b>361 046 852</b>	<b>65 799 998</b>	<b>-</b>	<b>(645 038)</b>	<b>426 201 811</b>	<b>1 294 087 920</b>	<b>394 344 445</b>

**APPENDIX C**  
**MOGALAKWENA MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013 (Unaudited)**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	6 725 902	254 921	-	-	(4 450)	6 976 373	3 413 102	483 794	-	(4 409)	3 892 488	3 083 885
Finance and Administration	225 533 014	890 588	512 138	(115 935)	(582 131)	226 237 675	61 895 984	6 360 577	(92 297)	(556 533)	67 607 730	158 629 945
Planning and Development	4 818 254	235 789	-	-	(19 374)	5 034 669	1 457 605	253 120	-	(17 394)	1 693 331	3 341 338
Health	14 663	-	-	-	-	14 663	9 848	2 446	-	-	12 295	2 369
Community and Social Services	23 387 662	2 853 391	-	1 460 250	(57 321)	27 643 982	4 248 921	2 158 192	-	(38 223)	6 368 890	21 275 092
Housing	-	-	44 370	-	-	44 370	-	-	-	-	-	44 370
Public Safety	6 906 948	194 561	-	1 327	-	7 102 836	3 457 180	685 337	1 085	-	4 143 602	2 959 234
Sport and Recreation	20 806 113	2 516 116	6 135 092	11 103 029	-	40 560 351	3 079 923	1 783 017	-	-	4 862 940	35 697 411
Environmental Protection	243 881	11 089	-	-	-	254 970	182 026	23 771	-	-	205 797	49 173
Waste Management	95 362 825	2 565 205	10 458 600	679 999	-	109 066 629	19 375 635	5 738 841	28 967	-	25 143 443	83 923 187
Roads and Transport	457 301 771	51 911 260	55 190 719	12 841 569	-	577 245 319	167 233 437	15 214 409	-	-	182 447 846	394 797 473
Water	314 268 912	17 044 121	210 889 086	6 009 397	(22 374)	548 189 143	57 942 301	27 027 842	727 448	(19 077)	85 678 513	462 510 630
Electricity	157 767 091	3 122 781	8 706 750	(670 821)	-	168 925 801	38 428 660	5 958 770	(665 202)	-	43 722 227	125 203 574
Other	2 962 172	40 488	-	-	(9 708)	2 992 952	322 231	109 883	-	(9 403)	422 710	2 570 241
<b>Total</b>	<b>1 316 099 209</b>	<b>81 640 308</b>	<b>291 936 755</b>	<b>31 308 817</b>	<b>(695 358)</b>	<b>1 720 289 732</b>	<b>361 046 852</b>	<b>65 799 998</b>	<b>-</b>	<b>(645 038)</b>	<b>426 201 811</b>	<b>1 294 087 920</b>

**APPENDIX D**  
**MOGALAKWENA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013 (Unaudited)**

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R
231 574 510	82 421 526	149 152 984	Executive and Council	244 832 173	102 651 741	142 180 432
72 990 826	63 013 931	9 976 895	Finance and Administration	85 189 692	74 125 104	11 064 588
914 207	14 597 887	(13 683 680)	Planning and Development	564 779	15 634 731	(15 069 952)
-	35 472	(35 472)	Health	-	26 008	(26 008)
13 312 418	6 541 162	6 771 256	Community and Social Services	3 092 050	10 010 503	(6 918 454)
132 382	129 017	3 364	Housing	141 614	82 090	59 524
7 361 943	19 669 501	(12 307 558)	Public Safety	6 960 191	20 463 308	(13 503 117)
15 472 664	6 826 105	8 646 559	Sport and Recreation	8 155 644	9 559 084	(1 403 440)
31 152	1 843 751	(1 812 599)	Environmental Protection	5 724	1 136 283	(1 130 558)
42 036 002	41 115 769	920 234	Waste Management	37 336 493	42 999 125	(5 662 632)
65 933 341	52 507 635	13 425 706	Roads and Transport	110 320 702	55 080 082	55 240 619
118 297 679	95 323 083	22 974 596	Water	273 103 698	124 117 184	148 986 514
161 008 240	132 076 270	28 931 970	Electricity	170 304 231	180 630 183	(10 325 952)
98	1 273 168	(1 273 071)	Other	-	1 859 737	(1 859 737)
<b>729 065 461</b>	<b>517 374 277</b>	<b>211 691 184</b>	Sub-Total	<b>940 006 991</b>	<b>638 375 163</b>	<b>301 631 827</b>
			Revenue Foregone			
<b>729 065 461</b>	<b>517 374 277</b>	<b>211 691 184</b>	Total	<b>940 006 991</b>	<b>638 375 163</b>	<b>301 631 827</b>

**APPENDIX E(1)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013 (Unaudited)**

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE - STANDARD</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Governance and Administration:</b>															
Executive and Council	229 217 777	6 297 492	235 515 269	-	-	235 515 269	244 832 173	-	9 316 904	103.96	106.81				231 574 510
Budget and Treasury Office	47 086 363	-	47 086 363	-	-	47 086 363	72 192 691	-	25 106 328	153.32	153.32				64 707 073
Corporate Services	10 964 398	1 150 121	12 114 519	-	1 735 190	13 849 709	12 997 000	-	(852 709)	93.84	118.54				8 283 753
<b>Community and Public Safety:</b>															
Community and Social Services	380 831	2 096 025	2 476 856	-	-	2 476 856	3 092 050	-	615 194	124.84	811.92				13 312 418
Sport and Recreation	8 810 000	4 469 860	13 279 860	-	1 299 470	14 579 330	8 155 644	-	(6 423 686)	55.94	92.57				15 472 664
Public Safety	7 141 667	-	7 141 667	-	(240 000)	6 901 667	6 960 191	-	58 524	100.85	97.46				8 157 334
Housing	127 175	-	127 175	-	-	127 175	141 614	-	14 439	111.35	111.35				132 382
Health	-	-	-	-	-	-	-	-	-	0.00	0.00				-
<b>Economic and Environmental Services:</b>															
Planning and Development	292 460	-	292 460	-	-	292 460	564 779	-	272 319	193.11	193.11				914 207
Road Transport	106 767 373	37 104 690	143 872 063	-	(8 004 664)	135 867 399	110 320 702	-	(25 546 697)	81.20	103.33				65 933 341
Environmental Protection	20 000	-	20 000	-	-	20 000	5 724	-	(14 276)	28.62	28.62				31 152
<b>Trading Services:</b>															
Electricity	183 128 082	3 118 778	186 246 860	-	(10 331 239)	175 915 621	170 304 231	-	(5 611 390)	96.81	93.00				160 212 848
Water	170 477 059	142 598 468	313 075 527	-	(2 300 894)	310 774 633	273 103 698	-	(37 670 936)	87.88	160.20				118 297 679
Waste Water Management	28 400 420	9 948 867	38 349 287	-	(541 550)	37 807 737	23 985 274	-	(13 822 463)	63.44	84.45				30 995 273
Waste Management	12 287 627	1 338 000	13 625 627	-	25 000	13 650 627	13 351 220	-	(299 407)	97.81	108.66				11 040 730
<b>Other:</b>															
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00				98
<b>Total Revenue - Standard</b>	<b>805 101 232</b>	<b>208 122 301</b>	<b>1 013 223 533</b>	<b>-</b>	<b>(18 358 687)</b>	<b>994 864 846</b>	<b>940 006 991</b>	<b>-</b>	<b>(54 857 855)</b>	<b>94.49</b>	<b>116.76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>729 065 461</b>
<b>EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	91 320 878	7 947 492	99 268 370	-	(6 220 049)	93 048 321	102 651 741	-	9 603 420	110.32	112.41				82 421 526
Budget and Treasury Office	18 153 581	(148 300)	18 005 281	-	(666 000)	17 339 281	13 073 862	-	(4 265 419)	75.40	72.02				10 108 217
Corporate Services	67 688 347	(1 554 578)	66 133 769	-	1 170 399	67 304 168	61 051 242	-	(6 252 926)	90.71	90.19				52 905 714
<b>Community and Public Safety:</b>															
Community and Social Services	10 272 384	(465 000)	9 807 384	-	1 182 150	10 989 534	10 010 503	-	(979 031)	91.09	97.45				6 541 162
Sport and Recreation	9 234 851	278 000	9 512 851	-	135 100	9 647 951	9 559 084	-	(88 867)	99.08	103.51				6 826 105
Public Safety	24 933 147	-	24 933 147	-	(1 022 700)	23 910 447	23 256 225	-	(654 222)	97.26	93.27				22 148 271
Housing	1 299 958	-	1 299 958	-	-	1 299 958	1 204 037	-	(95 921)	92.62	92.62				944 783
Health	69 899	-	69 899	-	-	69 899	26 008	-	(43 891)	37.21	37.21				35 472
<b>Economic and Environmental Services:</b>															
Planning and Development	18 170 705	(714 165)	17 456 540	-	(926 800)	16 529 740	15 634 731	-	(895 009)	94.59	86.04				14 597 887
Road Transport	55 987 385	1 817 883	57 805 268	-	3 113 958	60 919 226	55 080 082	-	(5 839 144)	90.41	98.38				52 507 635
Environmental Protection	2 128 372	(160 000)	1 968 372	-	(450 100)	1 518 272	1 136 283	-	(381 989)	74.84	53.39				1 843 751
<b>Trading Services:</b>															
Electricity	192 112 020	(575 000)	191 537 020	-	(3 008 792)	188 528 228	177 837 266	-	(10 690 962)	94.33	92.57				129 597 500
Water	96 911 984	1 188 769	98 100 753	-	5 625 896	103 726 649	124 117 184	-	20 390 535	119.66	128.07				95 323 083
Waste Water Management	12 189 946	3 221 137	15 411 083	-	5 703 728	21 114 811	20 650 832	-	(463 979)	97.80	169.41				21 328 827
Waste Management	20 264 632	1 844 400	22 109 032	-	867 000	22 976 032	22 348 294	-	(627 738)	97.27	110.28				19 786 942
<b>Other:</b>															
Tourism	876 222	-	876 222	-	10 800	887 022	737 790	-	(149 232)	83.18	84.20				457 403
<b>Total Expenditure - Standard</b>	<b>621 614 311</b>	<b>12 680 638</b>	<b>634 294 949</b>	<b>-</b>	<b>5 514 590</b>	<b>639 809 539</b>	<b>638 375 163</b>	<b>-</b>	<b>(1 434 376)</b>	<b>99.78</b>	<b>102.70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>517 374 277</b>
<b>Surplus/(Deficit) for the year</b>	<b>183 486 921</b>	<b>195 441 663</b>	<b>378 928 584</b>	<b>-</b>	<b>(23 873 277)</b>	<b>355 055 307</b>	<b>301 631 827</b>	<b>-</b>	<b>(53 423 480)</b>	<b>84.95</b>	<b>164.39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211 691 184</b>

**APPENDIX E (2)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013 (Unaudited)**

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - EXECUTIVE AND COUNCIL	229 217 777	6 297 492	235 515 269	-	-	235 515 269	244 832 173	-	9 316 904	103.96	106.81				231 574 510
Vote 2 - FINANCE DEPARTMENT	47 086 363	-	47 086 363	-	-	47 086 363	72 192 691	-	25 106 328	153.32	153.32				64 707 073
Vote 3 - CORPORATE SERVICES	7 511 914	-	7 511 914	-	1 735 190	9 247 104	10 382 308	-	1 135 204	112.28	138.21				6 388 662
Vote 4 - COMMUNITY SERVICES	21 415 428	7 903 885	29 319 313	-	1 324 470	30 643 783	24 471 531	-	(6 172 252)	79.86	114.27				39 766 275
Vote 5 - DEVELOPMENT SERVICES	17 999	-	17 999	-	-	17 999	137 994	-	119 995	766.68	766.68				337 396
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	13 914 040	-	13 914 040	-	(240 000)	13 674 040	15 038 202	-	1 364 162	109.98	108.08				16 093 965
Vote 7 - ELECTRICAL	183 130 082	3 118 778	186 248 860	-	(10 331 239)	175 917 621	170 308 119	-	(5 609 502)	96.81	93.00				160 215 121
Vote 8 - TECHNICAL SERVICES	302 807 629	190 802 146	493 609 775	-	(10 847 108)	482 762 667	402 643 972	-	(80 118 695)	83.40	132.97				209 982 460
Total Revenue by Vote	805 101 232	208 122 301	1 013 223 533	-	(18 358 687)	994 864 846	940 006 991	-	(54 857 855)	94.49	116.76	-	-	-	729 065 461
EXPENDITURE BY VOTE															
Vote 1 - EXECUTIVE AND COUNCIL	91 320 878	7 947 492	99 268 370	-	(6 220 049)	93 048 321	102 651 741	-	9 603 420	110.32	112.41				82 421 526
Vote 2 - FINANCE DEPARTMENT	18 153 581	(148 300)	18 005 281	-	(666 000)	17 339 281	13 073 862	-	(4 265 419)	75.40	72.02				10 108 217
Vote 3 - CORPORATE SERVICES	26 339 013	(2 749 700)	23 589 313	-	(46 000)	23 543 313	19 979 973	-	(3 563 340)	84.86	75.86				20 024 621
Vote 4 - COMMUNITY SERVICES	40 438 448	1 497 400	41 935 848	-	1 834 150	43 769 998	41 775 635	-	(1 994 363)	95.44	103.31				33 508 906
Vote 5 - DEVELOPMENT SERVICES	17 640 393	(366 490)	17 273 903	-	(650 000)	16 623 903	15 558 980	-	(1 064 923)	93.59	88.20				14 768 554
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	43 538 754	(420 000)	43 118 754	-	1 991 999	45 110 753	44 443 785	-	(666 968)	98.52	102.08				39 012 511
Vote 7 - ELECTRICAL	212 919 040	(575 000)	212 344 040	-	(3 323 892)	209 020 148	196 186 831	-	(12 833 317)	93.86	92.14				146 155 847
Vote 8 - TECHNICAL SERVICES	171 264 204	7 495 236	178 759 440	-	12 594 382	191 353 822	204 704 356	-	13 350 534	106.98	119.53				171 374 097
Total Expenditure by Vote	621 614 311	12 680 638	634 294 949	-	5 514 590	639 809 539	638 375 163	-	(1 434 376)	99.78	102.70	-	-	-	517 374 277
Surplus/(Deficit) for the year	183 486 921	195 441 663	378 928 584	-	(23 873 277)	355 055 307	301 631 827	-	(53 423 480)	84.95	164.39	-	-	-	211 691 184

**APPENDIX E (3)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013 (Unaudited)**

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	40 691 005	-	40 691 005	-	-	40 691 005	40 456 571	-	(234 434)	99.42	99.42	-	-	-	38 795 308
Service Charges - Electricity	170 226 630	-	170 226 630	-	-	170 226 630	164 774 122	-	(5 452 508)	96.80	96.80	-	-	-	151 320 382
Service Charges - Water	42 347 456	-	42 347 456	-	-	42 347 456	49 806 136	-	7 458 680	117.61	117.61	-	-	-	43 379 296
Service Charges - Sanitation	12 301 719	-	12 301 719	-	-	12 301 719	11 998 238	-	(303 481)	97.53	97.53	-	-	-	11 463 897
Service Charges - Refuse	10 787 627	-	10 787 627	-	-	10 787 627	10 878 840	-	91 213	100.85	100.85	-	-	-	10 149 617
Rental of Facilities and Equipment	915 959	-	915 959	-	-	915 959	1 006 285	-	90 326	109.86	109.86	-	-	-	1 033 617
Interest Earned - External Investments	17 918 000	5 255 000	23 173 000	-	-	23 173 000	28 899 438	-	5 726 438	124.71	161.29	-	-	-	24 859 260
Interest Earned - Outstanding Debtors	2 286 526	-	2 286 526	-	-	2 286 526	26 344 924	-	24 058 398	1 152.18	1 152.18	-	-	-	23 074 189
Fines	658 141	-	658 141	-	-	658 141	1 207 462	-	549 321	183.47	183.47	-	-	-	1 145 537
Licences and Permits	63 200	-	63 200	-	-	63 200	60 610	-	(2 590)	95.90	95.90	-	-	-	67 550
Agency Services	7 023 493	-	7 023 493	-	-	7 023 493	8 377 027	-	1 353 534	119.27	119.27	-	-	-	8 945 566
Transfers Recognised - Operational	255 349 414	5 548 235	260 897 649	-	(20 118 877)	240 778 772	264 298 095	-	23 519 323	109.77	103.50	-	-	-	400 287 482
Other Revenue	3 036 911	612 492	3 649 403	-	25 000	3 674 403	7 866 174	-	4 191 771	214.08	259.02	-	-	-	9 184 141
Gains on Disposal of PPE	6 000 000	-	6 000 000	-	1 735 190	7 735 190	8 780 722	-	1 045 532	113.52	146.35	-	-	-	5 359 618
Total Revenue (excluding Capital Transfers & Contributions)	569 606 081	11 415 727	581 021 808	-	(18 358 687)	562 663 121	624 754 643	-	62 091 522	111.04	109.68	-	-	-	729 065 461
Expenditure															
Employee Related Costs	186 733 613	(7 519 383)	179 214 230	-	(10 275 261)	168 938 969	167 109 217	-	(1 829 752)	98.92	89.49	-	-	-	155 186 871
Remuneration of Councillors	17 864 645	-	17 864 645	-	(450 000)	17 414 645	16 231 033	-	(1 183 612)	93.20	90.86	-	-	-	15 107 713
Debt Impairment	41 562 115	-	41 562 115	-	(5 345 350)	36 216 765	52 625 190	16 408 425	16 408 425	145.31	126.62	-	-	-	43 538 102
Depreciation and Asset Impairment	51 241 629	-	51 241 629	-	328 350	51 569 979	65 799 998	14 230 019	14 230 019	127.59	128.41	-	-	-	46 965 637
Finance Charges	-	-	-	-	-	-	621 252	621 252	621 252	0.00	0.00	-	-	-	442 247
Bulk Purchases	150 832 560	(1 800 000)	149 032 560	-	1 851 500	150 884 060	139 172 794	-	(11 711 266)	92.24	92.27	-	-	-	122 946 781
Other Materials	89 325 148	4 646 488	93 971 636	-	2 516 953	96 488 589	97 163 378	674 789	674 789	100.70	108.77	-	-	-	56 412 971
Contracted Services	20 902 951	64 373	20 967 324	-	2 600 599	23 567 923	21 967 422	-	(1 600 501)	93.21	105.09	-	-	-	13 269 665
Transfers and Grants	23 651 746	3 400 114	27 051 860	-	7 912 901	34 964 761	30 428 867	-	(4 535 894)	87.03	128.65	-	-	-	33 748 486
Other Expenditure	39 499 904	13 889 046	53 388 950	-	6 374 898	59 763 848	47 256 013	-	(12 507 835)	79.07	119.64	-	-	-	27 956 615
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	1 799 189
Total Expenditure	621 614 311	12 680 638	634 294 949	-	5 514 590	639 809 539	638 375 163	31 934 485	(1 434 376)	99.78	102.70	-	-	-	517 374 277
Surplus/(Deficit)	(52 008 230)	(1 264 911)	(53 273 141)	-	(23 873 277)	(77 146 418)	(13 620 520)	(31 934 485)	63 525 898	0.00	0.00	-	-	-	211 691 184
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	-	432 201 725	315 252 348	-	(116 949 377)	72.94	133.87	-	-	-	-
Surplus/(Deficit) for the Year	183 486 921	195 441 663	378 928 584	-	(23 873 277)	355 055 307	301 631 827	(31 934 485)	(53 423 480)	84.95	164.39	-	-	-	211 691 184

**APPENDIX E(4)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2013 (Unaudited)**

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>CAPITAL EXPENDITURE - VOTE</b>	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Multi-year Expenditure</b>															
Vote 1 - EXECUTIVE AND COUNCIL		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 2 - FINANCE DEPARTMENT		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 3 - CORPORATE SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 5 - DEVELOPMENT SERVICES		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 7 - ELECTRICAL		-		-	-			-	-	0.00	0.00	-	-	-	-
Vote 8 - TECHNICAL SERVICES	55 700 000	123 173 254	178 873 254	-	-	178 873 254	151 702 479	-	(27 170 775)	84.81	272.36	-	-	-	-
<b>Total Capital Expenditure - Multi-year</b>	55 700 000	123 173 254	178 873 254	-	-	178 873 254	151 702 479	-	(27 170 775)	84.81	272.36	-	-	-	-
<b>Single-year Expenditure</b>															
Vote 1 - EXECUTIVE AND COUNCIL	370 000	496 751	866 751	-	(26 600)	840 151	254 921	-	(585 230)	30.34	68.90	-	-	-	2 573 773
Vote 2 - FINANCE DEPARTMENT	212 600	880 000	1 092 600	-	(205 000)	887 600	659 708	-	(227 892)	74.32	310.30	-	-	-	187 726
Vote 3 - CORPORATE SERVICES	2 041 290	3 076 657	5 117 947	-	(4 573 275)	544 672	245 952	-	(298 720)	45.16	12.05	-	-	-	1 200 888
Vote 4 - COMMUNITY SERVICES	11 988 780	7 262 354	19 251 134	-	(5 603 210)	13 647 924	13 427 435	-	(220 489)	98.38	112.00	-	-	-	29 543 219
Vote 5 - DEVELOPMENT SERVICES	180 100	349 861	529 961	-	(283 130)	246 831	242 432	-	(4 399)	98.22	134.61	-	-	-	157 090
Vote 6 - MUNICIPAL TRAFFIC AND SECURITY	1 301 150	(10 000)	1 291 150	-	(869 842)	421 308	306 332	-	(114 976)	72.71	23.54	-	-	-	1 684 828
Vote 7 - ELECTRICAL	17 776 550	7 246 900	25 023 450	-	(18 147 052)	6 876 398	6 351 616	-	(524 782)	92.37	35.73	-	-	-	6 546 680
Vote 8 - TECHNICAL SERVICES	165 913 451	63 930 280	229 843 731	-	(67 623 547)	162 220 184	158 503 185	-	(3 716 999)	97.71	95.53	-	-	-	115 142 944
<b>Total Capital Expenditure - Single-year</b>	199 783 921	83 232 803	283 016 724	-	(97 331 656)	185 685 068	179 991 581	-	(5 693 487)	96.93	90.09	-	-	-	157 037 147
<b>Total Capital Expenditure - Vote</b>	<b>255 483 921</b>	<b>206 406 057</b>	<b>461 889 978</b>	<b>-</b>	<b>(97 331 656)</b>	<b>364 558 322</b>	<b>331 694 060</b>	<b>-</b>	<b>(32 864 262)</b>	<b>90.99</b>	<b>129.83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157 037 147</b>
<b>CAPITAL EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	370 000	496 751	866 751	-	(26 600)	840 151	254 921	-	(585 230)	30.34	68.90	-	-	-	2 573 773
Budget and Treasury Office	212 600	880 000	1 092 600	-	(205 000)	887 600	659 708	-	(227 892)	74.32	310.30	-	-	-	187 726
Corporate Services	2 123 130	2 731 657	4 854 787	-	(4 273 745)	581 042	240 746	-	(340 296)	41.43	11.34	-	-	-	1 547 896
<b>Community and Public Safety:</b>															
Community and Social Services	182 510	2 688 434	2 870 944	-	(894 320)	1 976 624	2 853 391	876 767	876 767	144.36	1 563.42	-	-	-	13 879 892
Sport and Recreation	9 040 000	5 020 320	14 060 320	-	(4 455 690)	9 604 630	8 651 208	-	(953 422)	90.07	95.70	-	-	-	15 619 373
Public Safety	1 135 150	(10 000)	1 125 150	-	(869 842)	255 308	194 561	-	(60 747)	76.21	17.14	-	-	-	2 191 717
Housing	-	370 000	370 000	-	(325 630)	44 370	44 370	-	(0)	100.00	0.00	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	117 300	319 361	436 661	-	(194 454)	242 207	235 789	-	(6 418)	97.35	201.01	-	-	-	237 903
Road Transport	101 413 000	35 854 690	137 267 690	-	(31 195 895)	106 071 795	105 390 947	-	(680 848)	99.36	103.92	-	-	-	57 262 608
Environmental Protection	105 330	-	105 330	-	-	105 330	11 089	-	(94 241)	10.53	10.53	-	-	-	6 497
<b>Trading Services:</b>															
Electricity	17 740 650	7 246 900	24 987 550	-	(18 147 052)	6 840 498	6 351 616	-	(488 882)	92.85	35.80	-	-	-	11 421 084
Water	103 389 800	145 215 091	248 604 891	-	(17 639 727)	230 965 164	200 719 787	-	(30 245 377)	86.90	194.14	-	-	-	49 799 865
Waste Water Management	16 896 151	6 033 753	22 929 904	-	(18 784 525)	4 145 379	4 142 724	-	(2 655)						7 116 382
Waste Management	2 714 000	(446 400)	2 267 600	-	(300 000)	1 967 600	1 912 582	-	(55 018)	97.20	70.47	-	-	-	1 922 236
<b>Other:</b>															
Tourism	44 300	5 500	49 800	-	(19 176)	30 624	30 621	-	(3)	99.99	69.12	-	-	-	27 677
<b>Total Capital Expenditure - Standard</b>	<b>255 483 921</b>	<b>206 406 057</b>	<b>461 889 978</b>	<b>-</b>	<b>(97 331 656)</b>	<b>364 558 322</b>	<b>331 694 060</b>	<b>876 767</b>	<b>(32 864 262)</b>	<b>90.99</b>	<b>129.83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163 794 630</b>
<b>FUNDED BY:</b>															
National Government	235 495 151	194 395 309	429 890 460	-	(83 011 583)	346 878 877	316 135 028	-	(30 743 849)	91.14	134.24	-	-	-	143 133 712
Provincial Government	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	1 411 184
District Municipality	-	2 000 000	2 000 000	-	(2 000 000)	-	-	-	-	0.00	0.00	-	-	-	-
Other Transfers and Grants	-	311 265	311 265	-	(311 265)	-	-	-	-	0.00	0.00	-	-	-	-
<b>Transfers Recognised - Capital</b>	<b>235 495 151</b>	<b>196 706 574</b>	<b>432 201 725</b>	<b>-</b>	<b>(85 322 848)</b>	<b>346 878 877</b>	<b>316 135 028</b>	<b>-</b>	<b>(30 743 849)</b>	<b>91.14</b>	<b>134.24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144 544 896</b>
Public Contributions & Donations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds	19 988 770	9 699 483	29 688 253	-	(12 008 808)	17 679 445	15 559 032	-	(2 120 413)	88.01	77.84	-	-	-	12 492 252
<b>Total Capital Funding</b>	<b>255 483 921</b>	<b>206 406 057</b>	<b>461 889 978</b>	<b>-</b>	<b>(97 331 656)</b>	<b>364 558 322</b>	<b>331 694 060</b>	<b>-</b>	<b>(32 864 262)</b>	<b>90.99</b>	<b>129.83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157 037 147</b>

**APPENDIX E(5)**  
**MOGALAKWENA MUNICIPALITY**

**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013 (Unaudited)**

Description	2012/13								2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	272 719 973	23 859 156	296 579 128	296 579 128	247 817 368	(48 761 760)	83.56	90.87	355 475 702
Government - Operating	253 306 914	2 133 121	255 440 035	255 440 035	331 632 576				156 020 560
Government - Capital	235 495 151	196 706 574	432 201 725	432 201 725	315 252 348	(116 949 377)	72.94	133.87	144 544 896
Interest	17 918 000	5 255 000	23 173 000	23 173 000	28 899 438	5 726 438	124.71	161.29	24 859 260
<b>Payments</b>									
Suppliers and Employees	(448 815 674)	121 801 444	(327 014 230)	(319 101 329)	(603 043 712)	(283 942 383)	0.00	0.00	(282 196 337)
Finance Charges	-	-	-	-	(621 252)	(621 252)	0.00	0.00	(442 247)
Transfers and Grants	(23 651 746)	(3 400 114)	(27 051 860)	(34 964 761)	(30 428 867)	4 535 894	0.00	0.00	(33 748 486)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	306 972 617	346 355 181	653 327 798	653 327 798	289 507 898	(440 012 442)	44.31	94.31	364 513 347
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	6 000 000	-	6 000 000	6 000 000	8 780 722	2 780 722	146.35	146.35	6 137 279
Decrease / (Increase) in Non-current Debtors	3 479 027	(3 479 027)	-	-	867 039	867 039	0.00	24.92	859 861
<b>Payments</b>									
Capital Assets	(255 483 921)	21 989 837	(233 494 084)	(233 494 084)	(331 694 060)	(98 199 976)	0.00	0.00	(163 794 630)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(246 004 894)	18 510 811	(227 494 084)	(227 494 084)	(322 046 299)	(94 552 215)	0.00	0.00	(156 797 491)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Loans repaid	-	-	-	-	-	-	0.00	0.00	-
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	-	-	-	-	-	-	0.00	0.00	-
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	(60 967 723)	(364 865 992)	(425 833 715)	(425 833 715)	32 538 401	458 372 115	0.00	0.00	(207 715 857)
Cash / Cash Equivalents at the Year begin:	501 750 484	-	501 750 484	501 750 484	501 750 484	-	100.00	100.00	294 034 627
Cash / Cash Equivalents at the Year end:	562 718 207	364 865 992	927 584 198	927 584 198	469 212 083	(458 372 115)	50.58	83.38	501 750 484

<div>APPENDIX F</div> <div>MOGALAKWENA MUNICIPALITY</div> <div>DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (Unaudited)</div> <div>Grants and Subsidies Received</div>																
Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	103 811 000	64 594 000	62 286 000	0	58 435 967	57 288 012	63 952 417	51 014 604	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 500 000	0	0	0	81 559	424 448	95 741	898 252	N/A	N/A	N/A	N/A	N/A	Yes	N/A
NDPG	Nat Treasury	0	0	10 626 000	0	1 157 484	1 506 703	3 580 479	16 487 582	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	20 374 000	61 037 000	55 935 000	0	10 469 684	45 106 510	30 292 792	41 158 202	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	0	0	90 000 000	0	17 183 253	33 421 111	64 663 879	45 110 655	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF O & M	DWAF	4 460 000	4 460 000	4 462 000	0	1 156 000	1 156 000	1 156 000	1 156 000	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	3 800 000	4 500 000	0	0	0	1 185 877	21 642	387 355	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	800 000	0	0	0	0	200 000	200 000	400 000	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	1 279 000	0	476 000	0	7 932	276 816	353 568	2 021 026	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		136 024 000	134 591 000	223 785 000	0	88 491 880	140 565 476	164 316 518	158 633 677	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																

**APPENDIX G**  
**MOGALAKWENA MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT (Unaudited)**

30 June 2013

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b>												
Mashamaite T.A.	-	437 144	-	187 444	65 572	-	-	-	-	-	-	690 159
<b>Speaker</b>												
Mabusela R.M. (Ms)	-	314 941	-	171 990	66 231	-	-	-	-	-	-	553 161
<b>Executive Committee</b>												
Kgaphola T.A.	-	181 247	-	86 794	30 337	-	-	-	-	-	-	298 378
Lebelo M.R. (Ms)	-	173 083	-	86 794	29 112	-	-	-	-	-	-	288 990
Mabuela F.M. (Ms)	-	327 662	-	145 551	49 149	-	-	-	-	-	-	522 362
Mashamaite N.V.	-	327 662	-	145 551	49 149	-	-	-	-	-	-	522 362
Montane N.S.	-	327 662	-	145 551	49 149	-	-	-	-	-	-	522 362
Ramashala M.E. (Ms)	-	181 247	-	86 794	30 337	-	-	-	-	-	-	298 378
Smit C.F.B.	-	223 195	-	86 794	-	-	-	-	-	-	-	309 989
Tlhaku M.S.	-	194 083	-	127 250	29 112	-	-	-	-	-	-	350 445
Tsebe M.A.	-	303 834	-	145 551	73 732	-	-	-	-	-	-	523 117
<b>Other Councillors</b>												
Baloyi H.T.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Chauke M.J.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Dabula M.D.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Dekker K.Q.	-	150 815	-	62 667	-	-	-	-	-	-	-	213 482
Kekana R.L.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Kekana V.H.	-	120 002	-	62 667	30 813	-	-	-	-	-	-	213 482
Kgalo M.K.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Kganyago L.C.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Langa L.D.	-	327 662	-	147 575	49 149	-	-	-	-	-	-	524 386
Lebelo L.J.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Legodi L.G.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Mabe P.S.	-	150 815	-	62 667	-	-	-	-	-	-	-	213 482
Mabuela M.W.	-	150 815	-	62 667	-	-	-	-	-	-	-	213 482
Mabula N.S.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Mabusela L.B.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Madubana R.P.	-	120 002	-	62 667	30 813	-	-	-	-	-	-	213 482
Magongoa S.D.	-	131 143	-	67 867	19 671	-	-	-	-	-	-	218 682
Mahlaela R.L.	-	131 443	-	62 667	19 671	-	-	-	-	-	-	213 782
Malatjie K.D.	-	150 815	-	62 667	-	-	-	-	-	-	-	213 482
Maluleke R.P.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Manamela L.E.	-	116 117	-	62 667	34 698	-	-	-	-	-	-	213 482
Manganyi M.E.	-	131 143	-	83 064	19 671	-	-	-	-	-	-	233 878
Maritz F.M.	-	150 275	-	62 667	539	-	-	-	-	-	-	213 482
Mashaba K.E.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Mashala L.J.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Mashilu M.M.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Masipa S.R.	-	122 241	-	64 839	28 573	-	-	-	-	-	-	215 654
Mathabathe L.J.	-	131 143	-	104 632	19 671	-	-	-	-	-	-	255 447
Mathebula H.S.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Miloana M.M.	-	129 740	-	63 949	21 075	-	-	-	-	-	-	214 763
Mogotlane M.I.	-	127 874	-	62 667	22 941	-	-	-	-	-	-	213 482
Molekoa R.M.	-	131 143	-	73 209	19 671	-	-	-	-	-	-	224 024
Molomo L.S.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Monene R.N.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
R	R	R	R	R	R	R	R	R	R	R	R	R
Morkel-Brink G.E.	-	150 815	-	62 667	-	-	-	-	-	-	-	213 482
Moseamedi M.M.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Mothibi R.E.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Motlohoneng D.P.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Mutshinya M.F.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Ngobeni S.G.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Ngwetjana L.N.	-	131 143	-	80 278	19 671	-	-	-	-	-	-	231 093
Panyana R.E.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Phokela M.D.	-	131 143	-	74 603	19 671	-	-	-	-	-	-	225 418
Pila P.G.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Ramasobana R.D.	-	131 143	-	67 593	19 671	-	-	-	-	-	-	218 408
Rathupa M.E.	-	131 143	-	75 477	19 671	-	-	-	-	-	-	226 291
Sekhu M.J.	-	131 148	-	62 667	19 671	-	-	-	-	-	-	213 487
Sekoala M.A.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Senoamadi M.M.	-	131 143	-	75 377	19 671	-	-	-	-	-	-	226 192
Senosha S.C.G.	-	150 815	-	62 667	-	-	-	-	-	-	-	213 482
Setlatjile K.D.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
Somo M.L.	-	131 143	-	62 667	19 671	-	-	-	-	-	-	213 482
<b>Total for Councillors</b>	-	10 094 299	-	4 901 229	1 437 999	-	-	-	-	-	-	16 433 527
<b>Municipal Manager</b> Kekana S.W.	-	920 963	79 911	176 669	268 963	-	-	-	-	-	-	1 446 505
<b>Chief Financial Officer</b> Mphago K.J.	-	811 813	70 435	154 216	195 268	-	-	-	-	-	-	1 231 731
<b>Manager: Community Services</b> Sebola L.J.	-	277 226	55 445	191 835	84 279	-	-	-	-	-	-	608 785
Molala M.M.	-	138 156	-	20 000	25 177	-	-	-	-	-	-	183 333
Matabane G. (Acting)	-	196 288	-	10 649	-	-	-	-	-	-	-	206 937
<b>Manager: Corporate Services</b> Bontsi B. (Acting)	-	15 483	-	4 110	-	-	-	-	-	-	-	19 593
De Villiers I. (Acting)	-	231 591	-	-	-	-	-	-	-	-	-	231 591
<b>Manager: Developmental Services</b> Masibe L.F.	-	197 679	-	27 000	45 965	-	-	-	-	-	-	270 644
Hlungwane S. (Acting)	-	89 396	-	8 708	-	-	-	-	-	-	-	98 104
Mashotja M.P. (Acting)	-	160 612	-	-	-	-	-	-	-	-	-	160 612
<b>Manager: Technical Services</b> Mogashoa S.T.R.	-	111 543	-	135 903	29 530	-	-	-	-	-	-	276 975
Malepa K.D. (acting)	-	229 936	-	-	-	-	-	-	-	-	-	229 936
<b>Manager: Technical Services</b> Buitendag L. (Acting)	-	424 567	-	68 132	-	-	-	-	-	-	-	492 700
<b>Total for Senior Managers</b>	-	2 884 289	125 880	620 552	380 219	-	-	-	-	-	-	4 010 941
<b>Total for Management</b>	-	12 978 589	125 880	5 521 781	1 818 218	-	-	-	-	-	-	20 444 468

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Mayor</b>												
Mashamaite T.A.	-	61 211	-	25 792	11 126	-	-	-	-	-	-	98 129
<b>Speaker</b>												
Mabusela R.M. (Ms)	-	330 615	-	145 908	54 666	-	-	-	-	-	-	531 190
<b>Executive Committee</b>												
Kgaphola T.A.	-	167 636	-	82 268	28 291	-	-	-	-	-	-	278 195
Lebelo M.R. (Ms)	-	178 972	-	82 268	30 637	-	-	-	-	-	-	291 877
Mabuela F.M. (Ms)	-	309 898	-	137 967	51 275	-	-	-	-	-	-	499 139
Mashamaite N.V.	-	309 898	-	137 967	51 333	-	-	-	-	-	-	499 197
Montane N.S.	-	309 898	-	137 967	51 299	-	-	-	-	-	-	499 163
Ramashala M.E. (Ms)	-	167 636	-	82 268	28 300	-	-	-	-	-	-	278 204
Smit C.F.B.	-	210 561	-	82 268	3 626	-	-	-	-	-	-	296 455
Tlhaku M.S.	-	196 796	-	82 268	17 158	-	-	-	-	-	-	296 222
Tsebe M.A.	-	289 726	-	137 967	71 239	-	-	-	-	-	-	498 932
<b>Other Councillors</b>												
Baloyi H.T.	-	126 513	-	59 399	18 010	-	-	-	-	-	-	203 923
Chauke M.J.	-	102 937	-	49 499	17 489	-	-	-	-	-	-	169 925
Dabula M.D.	-	123 438	-	59 399	19 514	-	-	-	-	-	-	202 351
Dekker K.Q.	-	105 468	-	43 911	2 025	-	-	-	-	-	-	151 403
Kekana R.L.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Kekana V.H.	-	113 305	-	59 399	31 224	-	-	-	-	-	-	203 928
Kgalo M.K.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Kganyago L.C.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Langa L.D.	-	309 898	-	137 967	51 280	-	-	-	-	-	-	499 144
Lebelo L.J.	-	123 438	-	59 399	21 074	-	-	-	-	-	-	203 911
Legodi L.G.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Mabe P.S.	-	141 954	-	59 399	2 833	-	-	-	-	-	-	204 186
Mabuela M.W.	-	141 954	-	59 399	2 833	-	-	-	-	-	-	204 186
Mabula N.S.	-	134 201	-	59 399	10 463	-	-	-	-	-	-	204 063
Mabusela L.B.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Madubana R.P.	-	112 490	-	59 399	32 003	-	-	-	-	-	-	203 891
Magongoa S.D.	-	123 438	-	59 399	21 106	-	-	-	-	-	-	203 943
Mahlaela R.L.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Malatjie K.D.	-	133 535	-	56 046	2 362	-	-	-	-	-	-	191 943
Maluleke R.P.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Manamela L.E.	-	108 412	-	59 399	35 904	-	-	-	-	-	-	203 715
Manganyi M.E.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Maritz F.M.	-	141 954	-	59 399	2 833	-	-	-	-	-	-	204 186
Mashaba K.E.	-	113 188	-	54 449	19 312	-	-	-	-	-	-	186 949
Mashala L.J.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Mashilu M.M.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Masipa S.R.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Mathabathe L.J.	-	126 513	-	59 399	18 010	-	-	-	-	-	-	203 923
Mathebula H.S.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Matlou L.B.	-	106 142	-	50 617	17 728	-	-	-	-	-	-	174 486
Miloana M.M.	-	122 466	-	59 399	22 021	-	-	-	-	-	-	203 886
Mogotlane M.I.	-	123 438	-	59 399	21 078	-	-	-	-	-	-	203 915
Mokonyane M.J.	-	11 221	-	4 715	283	-	-	-	-	-	-	16 218
Molekoa R.M.	-	123 438	-	59 399	21 078	-	-	-	-	-	-	203 915

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post- employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
R	R	R	R	R	R	R	R	R	R	R	R	R
Molomo L.S.	-	123 438	-	59 399	21 031	-	-	-	-	-	-	203 868
Monene R.N.	-	123 438	-	59 399	21 078	-	-	-	-	-	-	203 915
Morkel-Brink G.E.	-	141 954	-	59 399	2 833	-	-	-	-	-	-	204 186
Moseamedi M.M.	-	134 201	-	59 399	8 751	-	-	-	-	-	-	202 351
Mothibi R.E.	-	370 638	-	160 507	60 322	-	-	-	-	-	-	591 467
Mothoa M.P.J.	-	14 426	-	6 236	315	-	-	-	-	-	-	20 977
Motlohoneng D.P.	-	124 976	-	59 399	19 525	-	-	-	-	-	-	203 900
Mutshinya M.F.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Ngobeni S.G.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Ngwetjana L.N.	-	123 438	-	59 399	21 134	-	-	-	-	-	-	203 971
Panyana R.E.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Phokela M.D.	-	124 976	-	59 399	19 525	-	-	-	-	-	-	203 900
Pila P.G.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Ramasobana R.D.	-	123 438	-	59 399	21 061	-	-	-	-	-	-	203 898
Rathupa M.E.	-	124 976	-	59 399	19 525	-	-	-	-	-	-	203 900
Sekhu M.J.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Sekoala M.A.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Senoamadi M.M.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Senosha S.C.G.	-	141 954	-	59 399	2 833	-	-	-	-	-	-	204 186
Setlatjile K.D.	-	123 438	-	59 399	21 046	-	-	-	-	-	-	203 883
Somo M.L.	-	123 438	-	59 399	21 309	-	-	-	-	-	-	204 147
<b>Total for Councillors</b>	-	9 566 243	-	4 431 208	1 449 566	-	-	-	-	-	-	15 447 018
<b>Municipal Manager</b> Kekana S.W.	-	882 570	73 548	134 323	257 205	-	-	-	-	-	-	1 347 646
<b>Chief Financial Officer</b> Mphago K.J.	-	778 407	64 867	120 000	195 519	-	-	-	-	-	-	1 158 793
<b>Manager: Community Services</b> Sebola L.J.	-	665 344	59 351	148 085	207 202	-	-	-	-	-	-	1 079 982
<b>Manager: Corporate Services</b> Thobejane M.H.	-	480 532	-	121 243	148 284	-	-	-	-	-	-	750 060
<b>Manager: Developmental Services</b> Mailula D.E.	-	650 081	59 098	265 741	184 551	-	-	-	-	-	-	1 159 471
<b>Manager: Technical Services</b> Mogashoa S.T.R.	-	669 256	55 771	143 086	184 702	-	-	-	-	-	-	1 052 814
<b>Total for Senior Managers</b>	-	3 243 619	239 088	798 155	920 258	-	-	-	-	-	-	5 201 120
<b>Total for Management</b>	-	12 809 862	239 088	5 229 363	2 369 825	-	-	-	-	-	-	20 648 138